REPORT OF THE MOTOR VEHICLE TAXATION ENQUIRY COMMITTEE

1950

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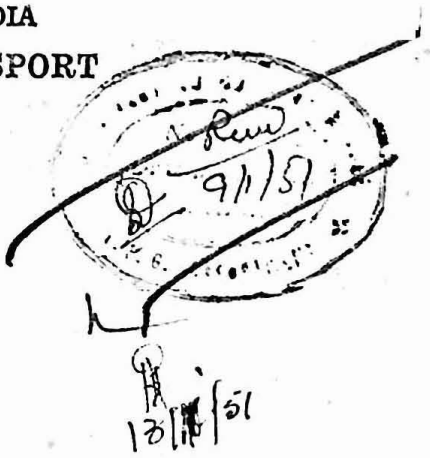

REPORT

OF THE

Motor Vehicle Taxation Enquiry Committee

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PRINTED IN INDIA BY THE MANAGER
GOVT. OF INDIA PRESS, NEW DELHI 1950

CONTENTS

Paragraph No.		Page No.
	CHAPTER I.—INTRODUCTORY	
1.	Appointment of the Committee	1
2.	Terms of Reference	1
3.	Composition of the Committee	1
4.	Procedure	2
5.	Representative nature of evidence received	2
6.	Plan of the Report	3
7.	Other Committees and Commissions	3
8.	Acknowledgements	4
	CHAPTER II.—A SURVEY OF THE EXISTING TAXES PAID BY THE MOTOR VEHICLE USER IN INDIA.	
9.	Scope of Chapter II	5
	A.—CENTRAL TAXES	
10.	The history and nature of Central Taxation	5
	3. Motor vehicles classed as luxuries	5
	5. Increase in the duty on motor spirit	6
11.	Allocation of the sources and proceeds of taxation	6
	4. Reduction of import duties advised in 1924-25	7
12.	The Central Road Fund	7
13.	Responsibility for roads	8
14.	Finance Commission	8
15.	Growth of Central taxation	8
	2. Comparison with other countries	10
	3. Wide field for development	10
16.	Recent duties	10
17.	Protective tariffs	10
18.	Duties on motor spirit	13
19.	Present duties largely of the nature of luxury taxes	13
	2. Because of their unrequited character	13
	3. Bad roads are in effect another tax on the motorist	13
	B.—STATES TAXES	
20.	The history and nature of State Taxation	14
21.	The Vehicle tax	14
	2. Varying bases of assessment	15
22.	Other State taxes and levies	15
23.	Extent of State taxation	18
24.	Growth of State taxation	19
	2. Recent increases	19
	Reciprocity	
25.	Buses and lorries	20
	2. Private cars	20
	3. Reciprocity in taxation	20
	5. Aim should be complete reciprocity	21

Paragraph No.		Page No.
	C.—Local Taxation	
26.	The history and nature of local taxation	21
27.	Efforts made to control local taxes on transport	22
	2. Evils of local taxes on trade	22
28.	Local taxes still very high in some areas	22
	2. Examples of octroi and terminal tax dues	22
	3. Octroi brokers	23
	4. Delays more harmful than the taxes themselves	23
	5. Evasions common	23
29.	Justification for local taxes	23
30.	Burdens on trade	24
31.	The demoralising effect of certain forms of local taxes	25
	D.—The Total Burden Of Motor Vehicle Taxation	
32.	Contribution of the motor vehicle to general revenue	25
	2. And towards the cost of road maintenance	25
33.	Comparative figures	25
	2. Large contributions to Central Revenues	26
34.	Fair contribution based on Salter Committee's recommendations	26
35.	Criticism of "diversion" of proceeds of road taxes to other purposes	26
36.	Criticism met	27
	3. Assessment of tax burden	27
	CHAPTER III.—INLAND TRANSPORT CO-ORDINATION AND REGULATION.	
37.	Principles of inland transport co-ordination	29
38.	Regulation of motor vehicle transport	30
	2. Non-existent at first	30
	3. But ultimately provided on an all-India scale by the 1939 Act	30
39.	Independence of Transport Authorities	31
40.	The working of the Motor Vehicles Act of 1939	31
	2. High Court judgement	31
	3. Power of review to be delegated to a judicial authority	31
	4. Subservience of some Transport Authorities	32
	5. Encouraging example of enlightened public opinion	32
41.	Road-Rail co-ordination	32
	2. Extreme views on restriction of goods transport by road	32
	3. At present little or no road-rail competition	33
	4. Increase in railway running	33
42.	Road-rail Code of Principles and Practice	33
	2. "Regions"	34
	3. And "Zones"	34
	4. Distance restrictions	34
43.	Road-rail competition	34
	2. Cannot at present affect railway revenues appreciably	35
	3. But in the worst case	36
	4. Could be compensated for by increase in certain railway rates	36
	6. Railway potential has not increased in recent years while population, industry and living standards have grown	36
	7. Extent of road rail competition distinctly limited	37

Paragraph No.		Page No.
44.	State Transport Undertakings	37
	2. Impressions generally favourable	38
	3. Except in the matter of cost	38
	4. Management not everywhere sufficiently independent	38
	5. Balance sheets	38
	6. Not a gold mine if rates are kept reasonable	38
	7. Efficiency	39
	8. Bus fares	39
	9. Increase in rates require justification	40
45.	Development of "cross traffic"	40
	2. State governments should encourage cross traffic	40
	3. Tax concessions	41
46.	Minimum Fares	41
47.	The role of private enterprise	41
48.	Regulation	42
49.	Enforcement	42
	2. Trained staff necessary	42
50.	Special road-rail regulation	42
	3. The railways are taking steps in the right direction	43
	CHAPTER IV.—OTHER COGNATE MATTERS.	
51.	Scope of Chapter IV	45
52.	Protection of the Indian Motor Vehicle Manufacturing industry	45
	2. The entire burden of which is falling on the Motor Vehicle User	45
53.	The new industry would be better helped by subsidies	45
	2. The virtues of subsidies	46
	3. Objections to subsidies	46
	4. The cost whether met by subsidies or protective tariffs will be high	47
54.	Assembly plants	47
55.	Diesel engines	47
56.	Taxation of bullock carts	48
	2. The cultivator's cart should not be separately taxed	48
	3. But taxation of carts used as public carriers recommended	48
	4. Use of rubber tyres to be encouraged	49
57.	Municipal roads	49
	2. Give access to property and should be paid for by property owners	49
	3. Local taxes on the motor vehicle user as such should be abolished	50
58.	Size of bus fleets	50
	2. Governed by economic laws	51
	3. Control a matter for the Transport Authorities	51
	4. Who may be trusted to use their discretion properly	52
59.	Association of remunerative and unremunerative bus service routes	52
60.	The method of collecting taxes is not always convenient to the taxpayer	53
	2. Delays, the chief cause of complaint	53
	3. Remedies suggested	53
61.	Other difficulties	54
62.	Weights of vehicles	54
	Transport Statistics	
63.	Statistics in the U. K. and the U. S. A.	54
	2. And in India	55
	3. Recommendations	55

Paragraph No. | Page No.

CHAPTER V.—THE PRESENT POSITION IN RESPECT TO ROAD MAINTENANCE AND DEVELOPMENT IN INDIA

64. Scope of Chapter V 57
65. Indian roads in the past 57
66. The advent of the railway 57
2. Resulted generally in devolution of responsibility for roads to local bodies 58
67. The advent of the motor vehicle 58
2. Called for a reversal of the devolutionary process 58
3. Leading first to a Central tax for road development 58
4. And later, to acceptance of Central responsibility for national highways 58
68. Comparison with some other countries ; road mileages 59
2. And road expenditure 59

Central Expenditure on Roads

69. Expenditure from the Central Road Fund 59
2. Expenditure on national highways 60
3. Other Central expenditure on roads 60

States Expenditure on Roads

70. The States have no funds of the nature of the Central Road Fund . . . 60
2. Expenditure chargeable to " Block Grants ". 60
3. Expenditure from States' revenues 60
71. Upgrading of road surfaces required 61
2. Excessive repair bills caused by neglect of road maintenance . . 61
3. Are in effect still another tax on the motor vehicle user . . . 62

Planned Development

72. The Nagpur Plan 62
73. Application of the principles advocated in the Nagpur Plan . . . 63
2. Three years' progress on road development 63
3. Road development a continuous process 63
74. Difficulties in implementing planned road development 64
75. India's road needs during the next twenty years 64
2. Can be met by raising loans for road development 65
76. The Road Board 65
2. And the National Highways Act 66

CHAPTER VI.—TAXATION OF MOTOR TRANSPORT IN FOREIGN COUNTRIES

77. Scope of Chapter VI 67
78. Comparison of motor vehicle taxation in various countries . . . 67

The United Kingdom : Taxation

79. Taxation of motor vehicles in the United Kingdom 68
2. Classification of motor vehicles 68
3. Details of taxes 68

The United Kingdom : Regulation

80. Regulation of motor vehicles 69

Paragraph No.		Page No.
81.	Road-rail competition	69
82	The Salter Committee	70
83.	The Road and Rail Traffic Act of 1933	70
84.	Restrictive conditions for licences	70
85.	The 1934 and 1938 Acts	71
86.	Tendencies since the 1930 Act was passed	71
87.	The Rate Structure	71
88.	Transport during the war	72
89.	The Transport Act of 1947	72
90.	Statement of policy of the British Transport Commission	72
	2. Conditions under which rail transport is specially suitable	73
	3. Conditions under which road transport is specially suitable	73
91.	Statement of policy on traffic in general	74
	The United Kingdom : Roads	
92.	Road problems created by the motor vehicle	74
	2. The Roads Act of 1920	74
93.	Raids on the Road Fund	75
	The United States of America : Taxation	
94.	Taxation of motor vehicles in the United States of America	75
95.	Federal taxation	76
96	State taxation : The States motor vehicle tax	76
	2. And the States fuel tax	76
	3. Property tax on motor vehicles	77
	The United States of America : Regulation	
97.	Regulation	77
	2. The Federal Motor Carrier Act of 1935	77
98.	Types of goods carriers	77
	2. Common carriers	77
	3. Contract carriers	78
	4. Private carriers	78
	5. Certificates for common carriers	78
	6. Permits for contract carriers	79
	The United States of America : Road-Rail Co-ordination	
99.	Road-rail co-ordination	79
	2. Control of motor carrier services by railways	79
	The United States of America : Roads	
100.	Roads prior to 1916	80
	2. States' responsibility for roads	80
101.	The Federal Aid Road Act of 1916	80
	2. The Federal Highway Act of 1921	80
102.	Subsequent history of Federal aid	80
	2. Changes in policy brought about by the 1930 depression	81
	3. The Haydon-Cartwright Acts of 1934 and 1936	81

Paragraph No.		Page No.
	4. The Federal Aid Highway Act of 1944	81
	Canada	
103.	Federal Taxation	82
	2. Provincial taxation	82
104.	Regulation	82
	Australia	
105.	Motor vehicle taxation	82
	2. The fuel tax	82
106.	Federal financial assistance for roads	84
	2. The Commonwealth Aid Roads and Works Act 1947 . . .	84
	Turkey	
107.	The road tax	84
108.	The fuel tax	85
109.	Tax revenue	85
110.	Road milages	8

CHAPTER VII.—RECOMMENDATIONS : INLAND TRANSPORT POLICY

111.	The problem set the Committee	87
112.	The system and extent of motor vehicle taxation dependent on transport policy	87
113.	The functions and obligations of the Centre	88
114.	The functions and obligations of the States	88
115.	Transport Policy	89
	Fundamental Principles of Inland Transport Co-ordination	
116.	Two sides to transport : production and distribution	89
	2. "Production" to be associated with motor transport regulation .	89
117.	Freedom of choice	90
	2. Restrictions on goods transport exist	90
	3. Railways should discourage short-haul traffic	90
	5. There should be no restriction on the carriage of goods by road .	90
	6. The Code of Principles and Practice restrictions to be held over for three years	91
	7. And the Motor Vehicles Act amended	91
118.	Private Carriers	91
	2. Should not be restricted	91
	3. But permits given on considerations of merit only . . .	92
	4. This will have a regulatory and beneficial effect	92
119.	Healthy competition	93
	2. Certain statutory obligations on the railways should be eased . .	93
	3. State Undertakings	93
	4. Defence and National Welfare	94

Paragraph No.		Page No.
	Transport policy in other countries	
120.	Policy in the U.S.A. and the U.K. contrasted	94
	2. Policy recommended by the Committee	95
	3. Railway milage in India generally sufficient for the present	95
	Recommended transport policy for India	
121.	The conclusions of the Committee regarding policy	96
	CHAPTER VIII—RECOMMENDATIONS : MOTOR VEHICLE TAXATION	
122.	Scope of Chapter VIII	97
123.	Comment on the existing taxes	97
124.	Taxation must be based on an agreed transport policy	97
125.	A "fair basis" of taxation	98
	States' Taxes	
126.	Only two taxes to be levied by States	98
	The States' Fuel Tax	
127.	The fuel tax the best form of road user tax	98
	2. And should replace many miscellaneous taxes	98
	3. The object being to simplify the present taxing system	99
128.	Effect of abolition of certain local taxes	99
	2. Assistance to be given to local bodies where justified	99
	3. As measured by applying the ability principle	101
	4. The property tax in various States compared	103
	5. Property taxes should replace octrois and terminal taxes	103
129.	Fees to be restricted to cover the cost of services rendered	103
130.	Method of allocating the States' fuel tax	104
	The States' Motor Vehicle Tax	
131.	Basis of assessment of the States' motor vehicle tax	104
	2. And level of assessment	105
	The Practical Effects of the Recommended Taxes	
132.	Matters for consideration	105
	Expenditure on Roads	
	2. State versus Central expenditure on roads	105
	3. Criticism of the existing allocation of the proceeds of taxation	106
	4. The Constitutional position	107
	Rent for use of Roads	
133.	Government provides the roads and is therefore a partner in motor transport	107
	2. Community use of roads	107
	3. The motor vehicle user, after paying all transport charges, to be taxed the same as the railway user	108
	Lapse of Grants	
134.	The system of "lapse"	108
	2 No true economy	108

Paragraph No.		Page No.
	The Central Road Fund	
135.	Grants from the Central Road Fund do not lapse	109
	2. But are now relatively small	109
	3. The present form of the Fund	109
	The Practical Effects of Taxation Measures	
136.	Road transport problems not peculiar to India	110
	2. But still to be solved in India	110
	3. The difference between tariffs at the standard rate and at higher rates to be credited to the Central Road Fund	110
	Detailed Tax Recommendations	
137.	Tax recommendations based on acceptance of the recommended transport policy	111
	Central Taxes	
138.	Changes to be made in Central taxes	111
	1. The Central tax on motor spirit	111
	2. Central Customs and Excise Duties	111
	3. Duties on Diesel and other fuels	111
139.	The Centre should support liberally plans of road development	112
	2. And should consider equalising customs tariffs on railway and road imports	112
	State Taxes	
140.	Changes to be made in States' taxes	112
	(1) The States' Fuel Tax	112
	(2) The States' Motor Vehicle Tax	112
	(3) The States' Motor Vehicle fees	114
141.	Countervailing tax on motor vehicles using fuels other than motor spirit	114
	2. Basis of the proposed tax	115
	3. Not to be levied on existing vehicles using producer gas	115
	Taxes on other users of Road Transport	
142.	The Cultivator's Cart	115
	2. A road cess on land revenue	115
	3. Tax not excessive	116
	4. Carts plying for hire or reward	116
	Distribution of the Proceeds of Taxes on the Motor Vehicle User	
143.	Money for road development should be voted into non-lapsing funds	116
	2. Part of which the Centre should match	116
144.	Final distribution of the proceeds of taxes on the motor vehicle user	116
	1. Central Taxes—	
	(1) Fuel tax	116
	(2) Customs and excise duties	117
	2. State Taxes—	
	(1) The States' fuel tax	117
	(2) The States' motor vehicle tax	117
	3. Municipal and local taxes	117

Paragraph No. — Page No.

Various matters affecting taxation

145. Uniformity of motor vehicle taxes desirable 117
2. But there should be no double taxation even if uniformity in taxation is not immediately achieved 117
3. A large measure of uniformity already exists in working costs . 118
4. Payment of transport costs of motor spirit from a transport cess recommended 118
146. Taxation measures should not deny the country the benefits of technical progress 119
147. Summary of Recommendations relating to Tax Revenue and the Distribution of the Proceeds 119
148. The proceeds of such taxes as are ear-marked for expenditure on roads should be paid into non-lapsing road funds 124
2. Contributions from general revenues for road upkeep should also be paid into these funds 124
3. And capital grants should also be non-lapsing 124
149. Legislation necessary 124

CHAPTER IX—SUMMARY OF THE COMMITTEE'S CONCLUSIONS AND RECOMMENDATIONS

Conclusions

150. The present taxation policies in India do not conform with the government's overall policy of developing road transport 127
2. The more important conclusions:
Central taxes 127
State taxes 127
Local taxes 128
The burden of taxation 128
Regulation and Road-Rail competition 128
Miscellaneous 129
Responsibility for roads 129
Transport Policy 130

Recommendations

151. Recommended transport policy to form the basis of a taxation policy . 130
2. The more important detailed recommendations :
Regulation 131
Taxation Policy 132
Miscellaneous 133
Detailed Taxation Recommendations 134

APPENDICES

Appendix
I. Resolution 137
II. A. Questionnaire 139
B. Tour Programme of the Committee and list of persons who gave oral evidence. 144
III. Extracts from the Report of the Indian Taxation Enquiry Committee of 1924-25 147
IV. Number of motor vehicles in different countries 149
V. Tax payable by a 30 seater bus in Madras 150

Appendix			Page No.
VI.	A.	Taxes on typical vehicles in States	151
	B.	Annual Taxation on a light passenger car in various States	152
	C.	Annual Taxation on a medium car in various States	153
	D.	Taxation on a motor lorry of 14,500 lbs. laden weight in various States	154
	E.	Taxation on a 30 seater bus in various States	155
	F.	Taxes on the basis of recommendations	156
VII.		Taxes and fees levied by States—	
	A.	Rates of sales tax in States	157
	B.	Rates of motor vehicle taxes in States	158
	C.	Motor vehicle fees in different States	171
VIII.		A Note on reciprocity-Private Cars	177
IX.		Typical examples of octrois and other taxes on motor vehicles by local bodies	178
X.		Average Tax paid by a lorry weighing 14,500 lbs. laden	182
XI.	A.	Revenue from motor vehicles and expenditure on national highways and other roads in Part A States in 1948-49	183
	B.	Expenditure on road maintenance and repairs in 1948-49	184
	C.	Expenditure on road construction and development original works in 1948-49	184
XII.		The legitimate share of motor transport towards road costs—	
	A.	Extracts from the Salter Committee's Report, 1932	185
	B.	Extracts from the Report of the Technical Sub-Committee to the Subject Committee on transport on the future of road rail relations 1943	186
XIII.		A summary of the transport policy recommended to the League of Nations in 1933 for adoption by all countries	187
XIV.		Extracts from the judgments, dated 11th May 1950 of the High Court of Judicature at Allahabad on certain cases relating to road transport.	188
XV.		Code of principles and practice in the regulation of motor transport	194
XVI.		Particulars of motor vehicle assembly plants in India	197
XVII.		Municipal Taxes 1946-47	200
XVIII.		Element of excessive cost in operation caused by bad roads	202
XIX.		A note on the statistics that it is desirable to collect on the operation of public service vehicles	204
XX.		Fuel and annual motor vehicle taxation in foreign countries	207

REPORT OF THE MOTOR VEHICLE TAXATION ENQUIRY COMMITTEE

CHAPTER I—INTRODUCTORY.

Appointment of the Committee.

The main reasons that led to the appointment of this Committee are set forth in a *Resolution* of the Ministry of Transport (No. 30-T(14)/49) published in the *Gazette of India* on the 20th of April 1950.—(**Appendix I**).

The Resolution explained that the question of undertaking a scientific examination of the present methods of taxing motor transport, to bring about uniformity in the basis of as well as the level of taxation, to remove anomalies of double and multiple taxation, and to promote inter-State reciprocity, had been under consideration for some time. The Government of India, after consulting the State Governments and the Transport Advisory Council had decided the time had come to appoint a Committee to collect all available data on motor vehicle taxation in India and to advise on the lines legislation should take under Entry 35 of the Concurrent List of the Seventh Schedule of the Constitution of India.

Terms of Reference.

2. The terms of reference given to the Committee were:—

"With a view to establishing a fair basis of taxation of motor vehicle users by the Union and State Governments and Local Authorities and for the purpose of furnishing advice and information upon which legislation may be undertaken, the Committee shall:—

(1) survey the existing systems of taxation of motor vehicle users in India; and

(2) recommend

(a) the basis of a scientific system of taxation of the motor-vehicle users to ensure the provision and development of cheap, rapid, and efficient transport, for different categories of users by the means best suited for the kind of traffic involved and with a view to obtaining proper co-ordination between the different forms of inland transport;

(b) the method of securing reciprocity in taxation between the various taxing authorities, and

(c) the principles on which any part of the proceeds of the taxation of motor vehicle users by the Union and State Governments and Local Authorities, should be made available for road maintenance and development".

Composition of the Committee.

3. The composition of the Committee was as follows:—

Chairman

Shri M. N. Dalal, Chairman, Indian Roads and Transport Development Association.

Members

Shri G. M. McKelvie, Consulting Engineer to the Government of India (Roads).

Shri N. C. Ghosh, Director General, Transportation, West Bengal and (*ex-officio*) Secretary, Home (Transport) Department and State Transport Commissioner.

Shri T. S. Krishna of Messrs. T. V. Sundaram Iyengar and Sons, Ltd., Mathurai (Madras).

Shri K. R. P. Aiyangar, Ministry of Finance, Government of India.

Shri A. A. Brown, Director, Traffic (General) Railway Board.

Secretaries

Shri C. S. Anantapadmanabhan, Officer on Special Duty, Roads Organisation, Ministry of Transport, Government of India.

Shri C. S. Nair, Secretary, Indian Roads and Transport Development Association, Bombay.

Procedure.

4.1. The Committee met on the 8th of May 1950 and approved a Questionnaire, (**Appendix IIA**) of which about 5,000 copies were distributed. The original intention was to visit Bombay on the 19th June to take oral evidence for a week and then in succession, Madras, Calcutta, and Delhi. It was hoped that all witnesses would have been examined by the 14th July.

4.2. Many witnesses, however, asked for more time to reply to the questionnaire. The Committee therefore postponed their tour programme and commenced examining witnesses in Bombay on the 17th July, and completed this portion of their labours in Delhi on the 9th of August 1950.

Representative nature of evidence received.

5.1. In all 218 written replies were received to the questionnaire and 67 witnesses were examined orally. The representative nature of the evidence examined by the Committee is indicated by the following figures:—

	Category	No. replying to the questionnaire	Witnesses examined orally
1.	State governments	24	14
2.	Local bodies	52	3
3.	Motor vehicle operators or companies	60	15
4.	Motor traders, manufacturers, oil companies etc.	15	10
5.	Chambers of Commerce . . .	18	3
6.	Passengers and Automobile Associations	6	5
7.	Other Associations	15	8
8.	Economists, engineers, and other experts.	27	7
9.	Officials	1	2
		218	67

In addition, the Committee received many notes and memoranda from the Government of India and State government departments on different aspects of their enquiry. The Committee also had the advantage of informal discussions with certain Ministers in Madras, Calcutta, and Delhi. The Committee take this opportunity of acknowledging the very ready response made to their many requests and the large measure of help they have received from governments and private persons.

5.2. Much of the oral evidence was given in confidence and will not be published. A list of the witnesses examined is however given in **Appendix IIB** which also sets out the tour programme of the Committee.

5.3. The Committee met again in Bombay from the 3rd to the 5th October 1950 to discuss their draft report and again in Delhi on the 22nd and 23rd October, 1950 to sign the report.

Plan of the Report.

6.1. The Committee were instructed first to survey the existing systems of taxation of motor vehicle users in India and the early chapters of this report (with supporting appendices) endeavour to depict, as briefly as possible, the relevant tax position at the Centre and in each State, the principles applied (as far as it has been possible to ascertain these) in building up the existing tax structure, and the effect on road transport generally of the existing taxes. This account has been made, as far as possible, factual, the Committee having reserved their comments for the most part to the chapters containing their recommendations.

6.2. In these earlier chapters the Committee also discuss the position in India with respect to such matters as regulation of motor transport; road-rail co-ordination; State motor transport undertakings; private enterprise in the road transport industry; road feeder services to the railways; and many such matters. They also refer briefly to the development of a motor manufacturing industry in India and touch on the motor transport and motor vehicle taxation systems of other countries.

6.3. Finally, they discuss the principles which they recommend should govern the levy of taxes on motor vehicles and conclude with recommendations on the form which legislation should take under Entry 35 of the Seventh Schedule of the Constitution of India (the Concurrent List) to ensure the provision and development of cheap, rapid, and efficient transport for different categories of users by the means best suited for the kind of traffic involved.

6.4. Since the terms of reference required the Committee to recommend the principles on which any part of the proceeds of the taxation of motor vehicle users should be made available for road maintenance and development, they have devoted considerable attention to the examination of what is known as the "benefit" principle of taxation. The conclusions of the Committee are embodied in their general recommendations.

Other Committees and Commissions.

7. After the Committee was constituted, the Government of India appointed a second committee (Ministry of Industry and Supply Resolution No. 1(2)-1(5)50 dated the 10th June 1950) "to re-examine the position in regard to particular (motor vehicle) parts in categories (subject to) different rates of (Customs) duties". The

request that the Motor Vehicle Taxation Enquiry Committee should examine the existing systems of taxation of the motor vehicle user has led to some slight overlapping of the functions of the two committees. Also, the enquiry recently made by the Fiscal Commission of 1949-50 covers portions of the same ground included in the terms of reference quoted in paragraph 2 of this Report and so does the work of the Local Finance Enquiry Committee, who have not yet reported and who generously made available certain data relating to local body taxation. The Committee have gladly taken full advantage of the labours of these bodies.

Acknowledgments.

8.1. The Committee are conscious of the imperfections in their report resulting from the fact that the members have had to carry out this enquiry in addition to their ordinary duties. Their deliberations have consequently been conducted under considerable pressure accentuated by the very strict time-table to which they were required to work. To this is to be added the difficulties they have met in collecting really up-to-date data on the taxes imposed in the States. Particulars regarding local taxation, especially tolls, octroi and terminal taxes, and other levies, have been singularly difficult to verify owing to the fact that full information has not always been available with State Governments. The recent amalgamation of the old "princely" States into democratic units also has not progressed sufficiently far to ensure the abolition of what might almost be described as "feudal" taxes on road transport.

8.2. The fact that the defects in this report are not more numerous must be attributed to the untiring industry and ability displayed by the Secretaries of the Committee, Messrs. C. S. Anantapadmanabhan and C. S. Nair in sifting and tabulating the evidence collected and in following up promising lines of enquiry. The Committee in acknowledging their indebtedness to their Secretaries also place on record their appreciation of the assistance received from the office staff placed at their disposal.

CHAPTER II—A SURVEY OF THE EXISTING TAXES PAID BY THE MOTOR VEHICLE USER IN INDIA.

Scope of Chapter II.

9. In this Chapter the Committee endeavour to survey, as briefly as possible, the existing taxes paid by the motor vehicle user in India. The taxes are considered under four heads:—

A—Central taxes;

B—State taxes;

C—Local taxes; and

D—The total tax burden.

The survey is based on information supplied in reply to the Committee's Questionnaire supplemented by statistics culled from government reports and papers. Information given during oral evidence has also been freely drawn on.

A—CENTRAL TAXES

The history and nature of Central taxation.

10.1. The motor vehicle user in his role of taxpayer pays Central duties of customs and of excise on motor vehicles and the commodities required for their maintenance and working. Such revenue duties have existed at varying rates ever since motor vehicles and motor fuel began to be imported (petrol duty was first levied in 1888 and the motor vehicles were subject to the customs duties from about the beginning of the present century) and are levied at the present day on the authority of Article 246(1) read with items 83 and 84 enumerated in List I in the Seventh Schedule (the Union List) of the Constitution of India.

10.2. In the year 1917 an excise and customs duty of six annas a gallon was levied on motor spirit as a war measure. This levy was payable whether the motor spirit was imported or locally produced. Previous to this there had been an import duty of only one and a half annas per gallon and no countervailing excise duty. The six anna levy continued till 1921 when the Government of India was faced with a large deficit and a number of taxation measures were taken, including he raising of the general *ad valorem* duty of $7\frac{1}{2}$ per cent. to 20 per cent. on certain "articles of luxuries" such as motor cars, motor cycles, silk piece-goods, clocks, and watches.

Motor vehicles classed as luxuries.

10.3. In spite of the heavy "luxury" taxes so levied on motor vehicles and certain other commodities, the revised estimates showed a deficit and a large deficit was also expected for the following year. Consequently, in 1922, a number of fresh proposals for taxation were made which included the raising of the duties on luxuries, in which category motor vehicles were included, to 30 per cent. In 1924, however, the *excise duty* on motor spirit was reduced to four and a half annas a gallon and, in the following year both the duties of customs and of excise were reduced to four annas a gallon in the interest of trade.

10.4. In the year 1926-27 a surplus budget was estimated and a surplus was also estimated in the subsequent year when the import duty on motor cars was reduced from 30 per cent to 20 per cent and the import duty on tyres for motor cars and motor cycles from 30 per cent. to 15 per cent. *ad valorem*. No changes were made in the customs duties on these commodities in 1928-29, but in the following year, in order to give effect to the recommendations of the Road Development Committee, the import and excise duties on motor spirit were raised from four annas to six annas per gallon, the additional proceeds being credited to a Road Development Fund.

Increase in the duty on Motor Spirit.

10.5. The duty on motor spirit which had been brought to six annas in 1929-30 was further raised in the following year to eight annas for revenue purposes. Shortly afterwards, the duty was raised by a general surcharge of 25 per cent to ten annas, the Road Fund benefiting in proportion and being credited with the proceeds arising from a duty of two and a half annas. The duty remained at ten annas until World War II when surcharges on customs duties were imposed as a revenue measure and it was raised by stages to 12 annas in 1940 and to fifteen annas in 1942. The Road Fund, however, continued to be credited with two and a half annas only out of this duty. During the inter-war period, largely on revenue considerations, increases were made in the import duties on motor vehicles and accessories including pneumatic tyres and tubes (*vide* Tables 1 and 2 on page 9).

Allocation of the sources and proceeds of taxation.

11.1. Customs and Central Excises were classed as Central heads of revenue in the Government of India Act, 1919. The Indian Taxation Enquiry Committee, 1924-25, who were instructed to indicate the theoretically correct distribution of taxes between Imperial, Provincial, and Local Governments, surveyed the pre-existing system of division of proceeds. Quoting Sir Josiah Stamp's remarks that there is no country in which the whole system of taxation is logically worked out from first principles and having regard to the fact that the historical tendency of federation is in India to break up one unitary State into a number of separate provinces, they recommended that a system of separation of sources was decidedly the best scheme. The success of any such scheme, it was realised, would however depend on the extent to which the allotment of sources of revenue to the Centre and the States would give each a revenue adequate to its needs and at the same time effect a fair division between the States. The Committee confirmed the allotment of these sources of taxation to the Centre on the grounds that the incidence of such taxes is not generally traceable and that customs and excise duties are usually set apart in all countries as a source of Central Taxation. (Relevant extracts from the Committee's report are reproduced in **Appendix III**).

11.2. In allotting to the Centre the entire *proceeds* of these taxes, which were at that time relatively low (Rs. 166 lakhs compared with Rs. 2105 lakhs last year), the Committee were no doubt influenced by their comparative study of distribution of functions at that time in relation to sources of revenue of Central and State Governments and Local Bodies. Foreign affairs, defence, international trade and inter-State services such as currency, communications, etc. are by general consent regarded as Central functions. Law and order, police, justice, jails and welfare services like education, health, and

public works, are similarly regarded as belonging to the field of State Governments. In respect of these welfare services generally, including roads, which at that time were regarded as the appropriate functions of local bodies subject to the general control of the States, they observed that expanding expenditure has resulted in the grant of assistance in greater or lesser degree by States and even Imperial governments.

11.3. They noted the general trend was for a correlation of certain sources of revenue to certain patterns of distribution of governmental functions involving further expenditure and approved the basis on which indirect taxes like customs and central excises were regarded as exclusively federal sources of taxation. The Centre was not then at all responsible for road maintenance. But with the assumption by the Centre of a certain measure of responsibility for maintenance of national highways and for assisting road development directly or through the Road Fund, opinion has grown on the point whether, even in consonance with the above general principles, the Centre should not out of its elastic sources of revenue assist State Governments and local bodies charged with the function of road development.

Reduction of import duties advised in 1924-25.

11.4. At the time the 1924-25 Taxation Enquiry Committee reported, motor transport in India was still in its infancy and authority was generally not aware of the serious problems that would arise when this form of transport grew and made its presence felt in heavy wear and tear of roads nor was it foreseen that this new means of transport would shortly begin to demand improvements in road design—easier curves, wider formations, stronger crusts, and smoother surfaces, etc. That Committee appeared, however, to have sensed that there would be some such problems. Although they found that the much criticised duty on motor cars at the then prevalent luxury rate of 30 per cent had justified itself as a revenue producer, they recommended:—

> "It is difficult to exaggerate the political and economic advantages of rapid means of transport in India and the development of motor transport services should, in the opinion of the Committee, be encouraged by Government. If the two propositions are accepted, first, that an increase in motor transport would be for the benefit of the country and second that motor vehicles, especially those of the heavier type, are items in respect of which local authorities are entitled to a fair share of the taxation, then it would appear that sooner or later, a reduction of the import duties is desirable". (Para. 419).

The Central Road Fund

12. Sooner, perhaps than the 1924-25 Taxation Enquiry Committee had expected, the problems arising from the damage done to the roads by the combined action of the fast-moving motor vehicle and the iron-tyred country cart became serious. It is true that in 1927-28 the Central government had reduced the duty on motor cars from 30 per cent. to 20 per cent and on tyres from 30 per cent to 15 per cent but the provinces generally did not take advantage of

this relief to increase their own taxes on motor transport and the condition of the roads continued to deteriorate. In 1930, therefore, on the advice of the Road Development Committee and with the ready consent of the associations representing the motor vehicle user, the Centre decided to impose, as already mentioned, a two anna tax on motor spirit, the proceeds of which were to be applied *solely*, under a Resolution of the legislature, for the purpose of road development. This Road Fund Resolution of 1930 (as amended by Parliament from time to time), therefore, marks a departure from the policy that the full proceeds of Central taxes on motor vehicles and the commodities required for their maintenance and working should be reserved for general Central expenditure. The Resolution in its present form provides that the proceeds of "not less than 2 annas per gallon of the duties of customs and of excise on motor spirit shall be applied for the purpose of road development....." in the States. The yield of this tax is about Rs. 250 lakhs at present.

Responsibility for roads.

13. Under the Constitution, the Union will now be responsible for the National Highways while the States and Local administrations will be responsible for all other public roads. As nearly as can be calculated, the present proportionate shares of expenditure of the Union and the other administrations in India will be respectively as one is to six, if urban roads are included (and as one is to five excluding urban roads) and if all roads are properly maintained. The total annual expenditure for road maintenance to reasonable standards and for normal development should be about Rs. 3,500 lakhs at present prices for labour and materials. If the principle enunciated by the 1924-25 Taxation Enquiry Committee be accepted that at least the division of the *proceeds* of taxation ought to be related to the functions to be performed by the several administrations, there would appear to be room for a re-examination of the present taxation system or at least the basis of contribution by the centre towards expenditure on road development.

Finance Commission.

14. The present Committee are aware that a Finance Commission is shortly to be set up under the Constitution to consider "the distribution between the Union and the States of the net proceeds" of such taxes as are referred to in the previous paragraphs. They are not, therefore, commenting on this question but in consideration of the view expressed by every witness and in nearly every one of the replies to their questionnaire that the present Union taxes on motor vehicles and the commodities required for their maintenance and working are excessive and unjustified in view of the meagre Central expenditure on roads, they have felt it necessary to trace the history of these taxes and to ascertain their growth since the Taxation Enquiry Committee of 1924-25 made their report.

Growth of Central Taxation.

15.1. In 1925-26 the customs and excise duties on motor spirit were each four annas per gallon and the duty on motor cars was 30 per cent. With respect to this tax on motor cars, which as already shown was first included in the schedule of 'luxury' goods at 20 per cent in 1922, the 1924-25 Committee observed "the much criticised 30 per cent duty on motor cars has justified itself as a producer of revenue ..... imports have nearly recovered to the level they attained in 1919-20." How far their reasoning is justified may be judged from the figure of the import of cars, buses, and lorries and the tariff changes during the last 30 years as reproduced in Tables

1 and 2 below:—

TABLE—1

Period	DUTY		Number of cars imported per annum	Number of buses & lorries imported per annum	Average imported per annum
	Cars and their accessories	Buses and lorries & their accessories			
1920 to 1921 .	7½%	7½%	12,678	2,057	14,735
1922 . .	20%	11%	2,895	580	3,475
1923 to 1927 .	30%	15%	9,528	2,974	12,502
1928 to 1931 .	20%	15%	16,172	11,423	27,595
1932 . .	30% 37½%	20% 25%	7,220	4,302	11,522
1933 to 1941 .	*37½%	25%	10,959	10,321	21,280
1942 . .	†45%	30%	2,854	28,355	31,209
1943 to 1946 .	†45%	30%	175	5,534	5,709
1947 . .	†45%	30%	10,683	8,654	19,337
1948 . .	†45%	30%	23,197	12,217	35,414
1949 . .	‡60%	30%	17,482	21,239	38,721

* Preferential duty was 30% and 17½%.

† Preferential duty was 36% and 21%.

‡ Preferential duty was 54% and 21%.

TABLE—2

Year ending 31st March	Motor Spirit		Tyres and Tubes
	Customs	Excise	
	Rs. A. P.	Rs. A. P.	
1920—21 . . .	0 7 6	0 6 0	7½%
1925—26 . . .	0 4 0	0 4 0	*30&15%
1930—31 . . .	0 6 0	0 6 0	15%
1935—36 . . .	0 10 0	0 10 0	30%
1940—41 . . .	0 12 0†	0 12 0	*25&20%
1945—46 . . .	0 15 0	0 15 0	30%
1949—50 . . .	0 12 0 0 15 0	0 12 0 0 15 0	30%

* The higher rates apply to motor cars.

† A differential duty of 0-1-0 per gallon was also levied.

Comparison with other countries.

15.2. The successive increases of duties of customs and central excises have apparently been based on revenue considerations and have followed the pattern of taxing more heavily conventional necessities and luxuries than articles of necessary consumption. For a fair appraisement of the above figures the repercussion of import control imposed as a war measure and since continued, and the extent of rise in import prices and consequent restrictions thereto should also be kept in mind. Subject to obvious limitations because of the difference between a manufacturing country and a country whose consumption is affected by many other economic factors, Graph No. 1* on page 11 is interesting in that it indicates a possibility that large increases in tariffs have been immediately reflected in India by a check in what might be considered the "normal growth" of motor transport as measured from the corresponding graphs in the United States of America and the United Kingdom. The growth apparent in both the latter named countries in the numbers of motor vehicles follows the same general pattern. In these countries motor vehicles have not, of course, been regarded as luxuries. Although in all these countries the growth of motor transport is shown to have been checked by the two world wars and by the slump of 1929—31, the graphs would appear to indicate that, when tariff burdens have not been excessive, normal growth is quickly resumed once the cause of the set-back ceases to operate.

Wide field for development.

15.3. The Committee do not claim that these graphs prove the growth of motor transport in India has been seriously restricted by high tariffs alone since many other factors have obviously operated. They have, however, been convinced from the evidence placed before them and referred to elsewhere in the report that there is in India a very wide field for development of motor transport in the interests of the economy of the country and they would suggest that the tariff policy of the Central Government should take into account the effect very high duties on transport have on agricultural and industrial development generally.

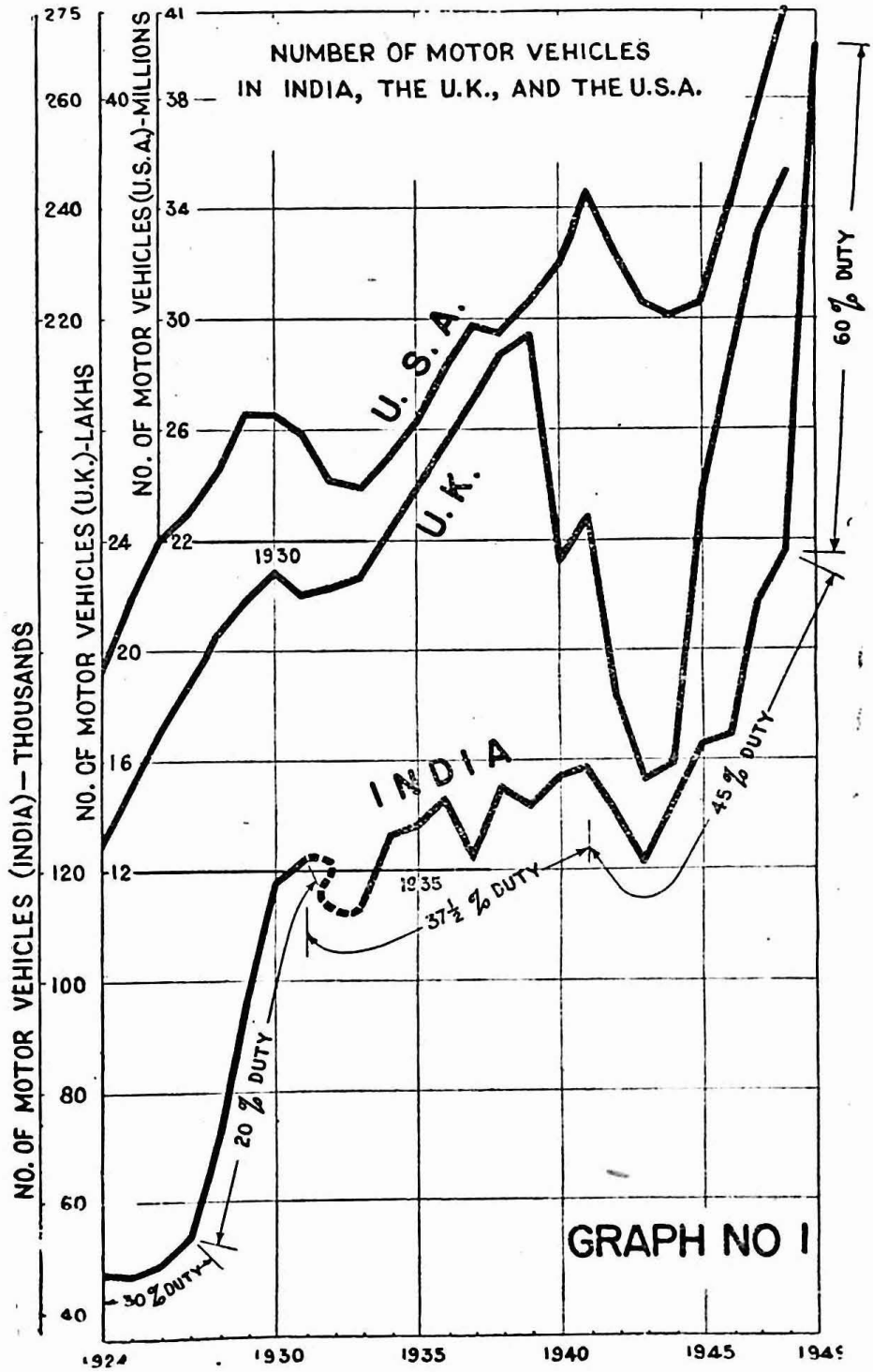
Recent duties.

16. In the Indian Finance Act, 1950, import duties on component parts and accessories of motor vehicles have been considerably increased, reaching in some cases to 90 per cent. on the *ad valorem* value of the commodities taxed. Coming as it did on top of successive enhancement of duties since 1948-49 and in the aftermath of devaluation, the Committee heard many complaints against the new enhanced duties and the opinion was expressed by almost all of the witnesses examined that the new duties were not serving the purpose for which they had been levied—they were not providing protection to the nascent Indian industry. One operator of a large tansport concern went so far as to claim that the recent increase in duties had already put up the repair and maintenance costs of his fleet by 50 per cent. Most operators, however, explained that the full effect of the new duties had not yet been felt because the manufacturers of many accessories had not permitted their distributors to raise the prices of the rather extensive stocks they were holding at the time of the enhancement of the duties. They, however, contended that prices were rising rapidly and the cost of motor vehicle operation would soon increase considerably.

Protective Tariffs.

17. Since the Government of India have recently arranged for a re-examination of the classification of accessories and parts for

* The figures are given in Appendix IV.


NUMBER OF MOTOR VEHICLES
IN INDIA, THE U.K., AND THE U.S.A.
NO. OF MOTOR VEHICLES (INDIA) — THOUSANDS
NO. OF MOTOR VEHICLES (U.K.)-LAKHS
NO. OF MOTOR VEHICLES (U.S.A.)-MILLIONS
U.S.A.
U.K.
INDIA
1930
1935
30 % DUTY
20 % DUTY
37½ % DUTY
45 % DUTY
60 % DUTY
GRAPH NO I
1924
1930
1935
1940
1945

the purpose of applying the new duties (see paragraph 7 of this report) the Committee are not commenting on them in detail. The weight of evidence put before the Committee, however, indicates that the duties have already done harm to transport operators and to the travelling and trading public. The general principles that ordinarily apply to protective duties of this nature are discussed later in this report.

Duties on Motor Spirit

18. With regard to motor spirit, it was suggested to the Committee that the tax burden could not be regarded as heavy since the present customs and excise tariffs bore the same general ratio to the *ad valorem* value of the commodity as it had always done, that is, when the imported cost of motor spirit was four annas a gallon, the duty was also four annas and now, when the imported cost is fifteen annas, the import duty is also fifteen annas. This argument is of limited application as increases in index of prices and costs indicate no more than a general trend and curbing the tendency to rise in respect of an essential commodity is desirable in any event. The effects of tariffs are not measurable merely by the ratio any particular tariff bears to the value of the commodity imported but by the impact of the tariff burden itself (considered as an unrequited burden) on the user of the commodity.

Present duties largely of the nature of luxury taxes.

19.1. The Committee are of the opinion that the present very high Union taxes on motor vehicles and the commodities required for their maintenance and working must be regarded mainly as luxury taxes so long as the proceeds, except for the small element earmarked under the Road Fund Resolution (paragraph 12 above), are available only to a limited extent for expenditure on roads. These Central taxes, when spread over the number of vehicles running on the roads, amounted in 1948-49 on an everage to Rs. 781 per motor vehicle (Rs. 853 if motor cycles are excluded) and are even higher this year.

Because of their unrequited character

19.2. Their incidence is also very much higher than that of corresponding taxes in any other country as far as the Committee could ascertain from published figures. An explanation for this lies in the fact that since only a limited portion of the Central taxation of motor vehicles and motor spirit is expended on roads, the States and local bodies which have six times the road obligation of the Union have been compelled to tax these same commodities again in different forms. The total average of all taxes this year per motor vehicle on the road in India (excluding motor cycles) is estimated at Rs. 1167. One witness estimated the total tax this year on a 30 seater bus in Madras at Rs. 10,024 (**Appendix V**). While this figure appears staggering and admittedly in the case of an item of universal use like vehicular transport, a *per capita* user incidence of the cost of service will be a fairer indication of the tax burden, there is no doubt that in the case of a country dependant completely on imports for its supply of motor vehicles and motor fuel the incidence on the population as a whole should be relatively lighter than in industrialised countries.

Bad roads are in effec another ta on the motorist.

19.3. Since motor vehicles used for commercial purposes cannot justly be regarded as luxuries but as essential commodities in the economy of India—and since essential industrial machinery like railway engine and textile machinery bear a customs duty of 10 per cent or 5 per cent *ad valorem*—the Committee consider motor vehicles used for commercial purposes should not be regarded as

luxuries for the purpose of taxation and the rates should be brought down to the pre-1950 level. The existing excise duty on tyres cannot be regarded as more burdensome than the other revenue duties while in the interest of local industry no reduction can be contemplated of duty on imported tyres. The Committee consider that at the present time a high rate of taxation of motor vehicles and the commodities required for their maintenance and working might be justified consistently with the objective of providing the public with cheap and efficient transport only if that portion of the proceeds of the main taxes representing the difference between the luxury and ordinary revenue element is made available to a larger extent for expenditure on roads and the roads are properly maintained. The Committee examine later in this report the increase in the working expenses of transport operators arising from the bad state of the roads in the country generally. At present the motor vehicle user ultimately bears the incidence of high taxes as well as high operating charges reflected in the fares charged because the roads are bad, a double imposition. The detailed recommendations of the Committee in this matter are included in a subsequent chapter of this report.

B—STATE TAXES

The history & nature of State Taxation

29.1. It was not until the early twenties that there was any direct taxation by the States on motor vehicles although, under Section 11 of the Indian Motor Vehicles Act of 1914, the State Governments were entitled to levy fees and taxes. The main tax originally imposed on the motor vehicle user, other than the Central taxes referred to in the previous paragraphs, was the levy of tolls by local bodies, justified by the obligations these bodies had to maintain roads. Even though the States did not tax motor vehicles directly, some of them found it necessary at that time to subsidise road work carried out by local bodies and to take loans to meet their own road obligations.

20.2. In 1923, for the first time in any State in India, Uttar Pradesh (then the United Provinces) imposed a provincial tax on motor vehicles but this was withdrawn in the following year. The Punjab followed next with a tax in 1925. The reduction in the import duty on motor vehicles and parts granted by the Central Government in 1927-28 gave a further opportunity to the States to impose taxation on motor vehicles to meet the cost of maintaining and developing road communications but for the most part it was some time before they took action in this matter. Meanwhile the taxation of motor vehicles came within the consideration of the Indian Road Development Committee (the Jayakar Committee) and they recommended that provincial imports should be compounded into a single tax and that tolls other than those on bridges and ferries should be abolished.

The Vehicle Tax.

21.1. The principles of taxation of motor vehicles were considered later by the Mitchell-Kirkness Committee as well as by two Road Conferences and the subject was also discussed frequently in meetings of the Transport Advisory Council. The second meeting of this Council (in 1936) adopted a resolution (designed to secure greater uniformity in the bases of taxation) that private cars should be taxed on unladen weight, buses on seating capacity, and goods lorries on registered laden weight. The resolution, however, was not fully ratified. The same advice was repeated by the Technical

Sub-Committee to the Subject-Committee on Road Rail Relations in 1943 but no effective action has been taken by all States to achieve uniformity and there still exists a wide disparity in the manner of taxation of motor vehicles.

Varying bases of assessment.

21·2 Taking the States that previously constituted the British Indian Provinces, three at present tax goods vehicles by unladen weight, four by laden weight, and two by authorised load. Public service vehicles are taxed on the basis of seating capacity by all. As regards motor cars, six States tax them according to unladen weight, two by seating capacity, while one, namely, Bengal bases the tax on the area occupied by the vehicle on the road. Motor cycles are taxed by unladen weight in seven States and by horsepower in two States.

21·3. Apart from differences in the basis of taxation the rates charged also show very wide variations. **Appendix VI** and graphs Nos. 2 to 5 on pages 16 and 17 show the taxes charged on typical vehicles in each State. It will be noticed that a 3-ton lorry is taxed lowest at Rs. 150/- per year in West Bengal while, at the other end of the scale, it is taxed at Rs. 1,080/- in Orissa, Rs. 1,440/- in Madras, and at Rs. 1,600/- and Rs. 2,400/- for "regional" and "all-Union" permits respectively, in Madhya Bharat. For a 30-seater bus, the tax varies between Rs. 141/- a year in West Bengal and Rs. 3,600 in Madras. For private cars the range of variation is equally wide.

21.4. The position in those administrations previously known as Indian States was in the past even less satisfactory on the whole owing mainly to the fact that in the backward States roads and road transport were virtually non-existent or in their early infancy and taxation of motor transport was not a worthwhile proposition. In some of these States, however, particularly the more advanced, transport was generally speaking, well developed and regulation was on the whole satisfactory. Hyderabad, for example, actually embarked on a policy of "nationalisation" in 1931, but private operators were also allowed to operate on certain routes. Travancore, Cochin, and Mysore also had their regulation of motor transport from the early days but, as against these bigger States who generally followed the legislative enactments and administrative improvements of the Government of India very closely, there were a large number of smaller States with varying modes of taxation and in varying stages of administrative development. The recent intergration and merger of these States will, however soon remove many of the existing anomalies.

Other State taxes and levies.

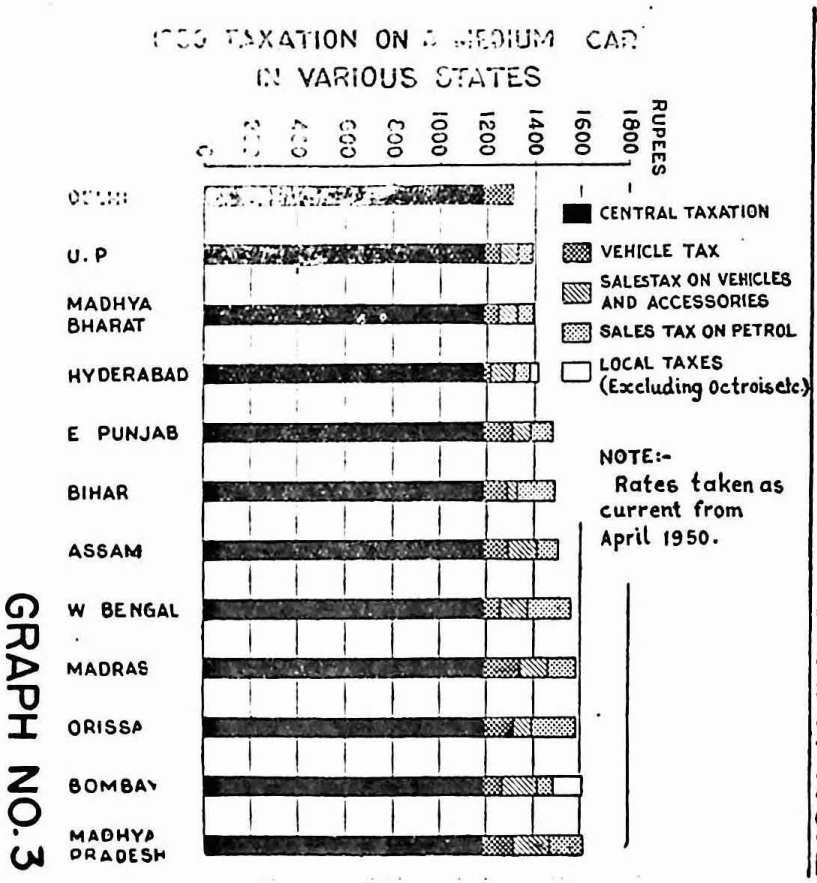
22.1 Apart from the vehicle tax which has been discussed so far, there are a number of other levies imposed upon motor vehicles. The following are typical examples of the forms taken by these:—

(1) Entrance taxes on vehicles entering a State;

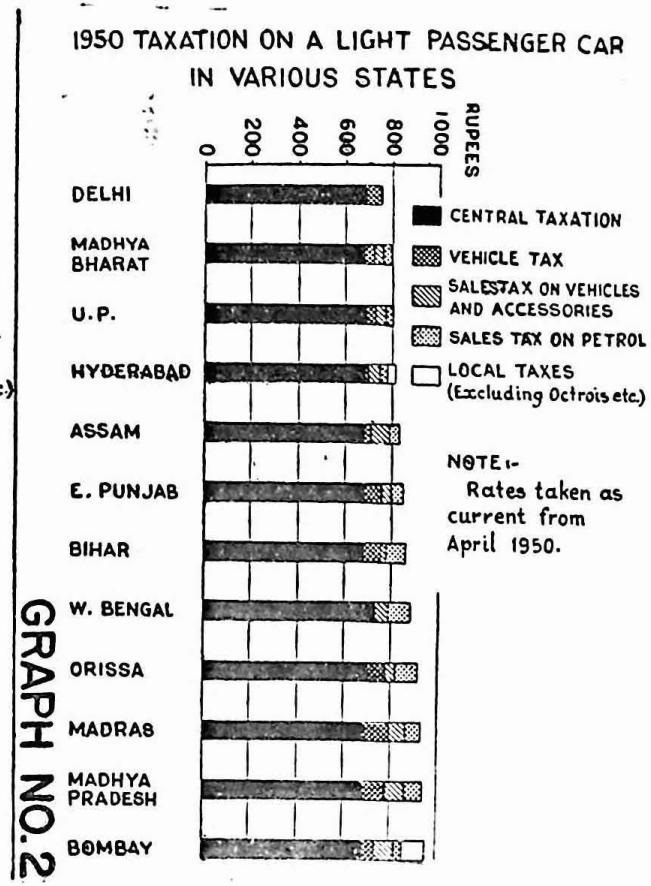
(2) Taxes or cesses on goods and passengers carried by road;

(3) Sales taxes at luxury rates on motor vehicles and the commodities required for their maintenance and working and on motor fuel, and

(4) Permit and other fees for buses and trucks levied at rates that make the fees partake of the nature of taxes.



GRAPH NO. 3



GRAPH NO. 2

GRAPH NO.5

GRAPH NO.4

As typical examples may be quoted the entrance tax of Rs. 60/- a trip levied at present by a Part B State on lorries entering the State. Further, it is alleged the lorry has to return and proceed outside the State within 24 hours, otherwise a fresh tax of Rs. 60/- has to be paid. One Part A State has recently introduced a cess of two annas in the rupee on the freight of goods carried by road and on the fares of all passengers. Fees vary considerably from State to State, and although in some cases they appear too low as discussed later in the report, in others they are so high as almost to partake of the nature of taxes. The present taxes and fees in the principal States are listed in **Appendix VII**.

Extent of State taxation.

23. It was not possible for the Committee in the time available to them to calculate the full extent of State taxation or its incidence per motor vehicle in all the States but the following figures for the year ending the 31st March 1949 give some indications not only of the wide variations in taxation at present existing but of the obligations with respect to the upkeep of roads the States have to bear.

TABLE-3

STATE M.V. TAXATION VERSUS ROAD EXPENDITURE

(year 1948-49)

State	No. of Motor Vehicles	Motor Vehicle taxes* collected Rs. Lakhs	State Expenditure on roads** Rs. Lakhs	State tax per motor vehicle
Madras . . .	33,924	240·70	516·66	710
Bombay . . .	50,394	157·50	111·43	313
West Bengal . .	58,818	114·71	62·37	195
Uttar Pradesh . .	21,866	61·80	150·93	283
Punjab . . .	7,843	16·39	100·46	209
Bihar . . .	13,038	34·13	154·86	245
Madhya Pradesh .	9,595	38·32	83·24	399
Assam . . .	9,711	19·64	184·88	202
Orissa . . .	3,436	9·20	35·46	268
Delhi . . .	11,750	9·21	8·07	78
Ajmer . . .	1,035	..	3·83	..
Coorg . . .	502	2·34	2·42	466
TOTAL . . .	222,812	703·94	1414·61	

* Including sales tax on petrol and excluding receipts from fees.

** Excludes expenditure met from the Central Road Fund (Ordinary and Reserve) and Capital expenditure outside the revenue account.

Growth of State Taxation.

24.1. The following Table indicates, as far as the tax proceeds can be isolated, the growth of revenue during the last 20 years from taxation in the Part A States and the old Chief Commissioners Provinces of motor vehicles and the commodities required for their maintenance and working.

TABLE-4.

Growth of State Motor Vehicle Tax Revenue.

(Rupees Lakhs

Year ending 31st March.	State Motor Vehicle Taxes.	Sales taxes on petrol oil and lubricants	Total State Revenue From Motor Vehicle	Remarks.
1930	59·50*	—	59·50*	Undivided India excluding NWFP and Sind.
1935	112·50*	—	112·50*	
1940	171·99	45·94	217·93	
1945	188·56	280·09	468·65	
1949	439·15	264 79	703·94	

*Estimated

Recent increases.

24.2. Recently, most States have increased their taxes considerably. For example, the total tax collected by Madras from the motor vehicle user has increased by 120 per cent in the last four years against an increase of 42 per cent in the number of buses and lorries, the main vehicles paying taxes. (The latest figures for motor cars were not available to the Committee but the tax on these is relatively so low that the proceeds will not affect appreciably the total revenue figures quoted).

TABLE-5

Increases in Madras Motor Vehicle Tax Revenue

Year	State Motor Vehicle taxes.	Sales taxes on petrol oil and lubricants	Total
1947	131·11	34·67	165·78
1948	164·64	52·59	217·23
1949	197·45	60·23	257·68
1950	275·00*	72·00*	347·00*

*Estimated

It is unfortunate that very few figures relating to the financial year ending the 31st March 1950, were available to the Committee because it was in that year that the rate of State motor vehicle taxes showed a sharp rise in many States. The increase in the tax burden is continuing to grow in most States during the present year 1950-51. The reason for this is obvious when the road-upkeep burden of the States is considered. The figures in Table 3 in Paragraph 23 above may be seen in this connexion.

Reciprocity.

Buses and lorries.

25.1 It has been mentioned that some of the new States levy "entrance taxes" on lorries entering their territories. Most States, however, tend to discourage the entry of lorries and buses from neighbouring States by delaying the grant of permits (though some of these delays may be due to administrative weaknesses) and by levying their own taxes, in whole or in part, on vehicles that have already paid full taxes in their State of origin. For example, it was alleged that a petrol tanker lorry based at Bangalore and distributing supplies in the neighbourhood is required to pay a quarterly tax of Rs. 250/- in Mysore plus Rs. 293/- in Madras; a bus travelling the 100 miles between Ootacamund and Mysore pays at the rate of Rs. 30/- per seat per quarter to Madras and Rs. 7/- per seat in Mysore plus a road cess of a half-anna per mile which would come to Rs. 275/- per quarter if the bus ran every day; a 2½-ton lorry running from the Madras State through Coorg to the Mysore State has to pay Rs. 360/- per quarter in Madras, Rs. 273/- per quarter in Coorg, and Rs. 225/- per quarter in Mysore; a 30 seater bus operating from Coimbatore pays Rs. 20/- per seat in Madras and Rs. 30/- per seat in Cochin, or Rs. 1,500/- per quarter on the basis of paying two-thirds of the full tax in the Madras State; and the full tax in Travancore-Cochin; a bus from Calicut has to pay Rs. 50/- a quarter for running over half a mile of road in Mahe, French territory; and so on. The lorries in the Coffee estates of Coorg going to railheads in Madras and Mysore have to pay double and even triple taxes.

Private Cars.

25.2. In introducing vehicle taxes, many of the State laid down that vehicles entering their areas on temporary visits should be exempted from taxation for a period generally extending to one month. Initially the concession, where it existed, applied to both private cars and transport vehicles but later, one State after another limited it exclusively to private cars. In recent years, in accordance with recommendations of the Transport Advisory Council, many of the States have agreed that a private car taxed in one State (Part A State) will not be taxed again in another, but the system is not yet generally followed outside Part A States. See also **Appendix VIII**. This has caused a great deal of inconvenience and annoyance in some areas to private car owners who have occasion to travel through more than one State and are often delayed for hours and even days, while they travel to the local tehsil or subdivisional headquarters near each point of entry into a new State to pay fresh taxes.

Reciprocity in taxation.

25.3. It has been mentioned in paragraph 21.3 that the rate of State motor vehicle taxation varies considerably throughout the country and cases were quoted where the tax in one State on a lorry was more than ten times that in another, or on a bus, twenty-five times. It is easy to see that while such great variations in taxation exist, the States levying high taxes would lose considerable revenue if vehicles from other States were permitted to run freely in their territories without paying further taxes. The State governments generally admitted that uniformity in State taxation would be very desirable if it could be attained but many of them made it quite plain at the same time that such uniformity would not necessarily be followed by full reciprocity in the matter of granting permits to run in their territory.

25.4. There are many reasons for this. Some States, for example, restrict the movement of food grains and would find it difficult to control lorries coming in from other States. In other cases there is a fear that (as discussed in paragraph 42.2) "foreign" buses or lorries would compete unfairly with those in the State. There is also the general argument that since the motor vehicle tax is levied to pay for the roads, the authority responsible for maintaining the roads should collect taxes from vehicles plying over them. Some States argued that it was not necessary for the taxes to be the same everywhere, since it could easily be arranged that when a bus ran on a route, partly in one State and partly in another, it could pay taxes to both States in proportion to the route travelled in each. In one part of India the arrangement generally is that a bus or lorry running in two States pays two-thirds of the tax due to each.

Aim should be complete reciprocity.

25.5. In the interests of trade, however, and for the convenience of a section of the public using buses in areas near State boundaries (and this is a large public), it is desirable that complete reciprocity between States should be aimed at. One has only to consider what the position would be if railway movement were restricted to within State boundaries to appreciate the disadvantages of the present restrictions on bus and lorry traffic. It is perhaps only because the public have got used to restrictions on road transport that there is not more complaint. It is true that buses and lorries do not cover such long distances as trains but in some parts of India the restrictions under examination apply very largely even in adjoining districts of different States. Unfortunately, (as explained in paragraph 42.3) they also tend to apply in these parts of India to traffic which might otherwise move between two small "regions" or districts of the same State.

25.6. The cure, in so far as inter-regional traffic is concerned, would be to encourage the State Transport Authorities to grant permits under the Act for such movements, and, for inter-State traffic, to encourage liaison between the Provincial Transport Authorities of Adjoining States in order to facilitate action under Section 63(1) of the Act. If, in addition, the scale of taxation in adjoining States were made more or less the same, some of the present difficulties would be lessened and desirable inter-State traffic encouraged.

C.—LOCAL TAXATION.

The history and nature of local taxation.

26.1 Local bodies, including District Boards, Municipalities, Panchayat Committees, etc., are empowered to levy taxes under various "local self-government" Acts passed from time to time by the State governments. These taxes, as far as they affect motor transport, take the form of octrois, "terminal taxes or tolls", cesses, wheel taxes, and many undefined taxes or levies on motor vehicles or on passengers or goods in transit. None of these taxes exist at all in the States of Madras and Bengal, States that had been under stable centralized administration for a century or more, while the number and vexatious incidence of such taxes is great in many areas that were until recently under semi-feudal administrations or that came under stable government only shortly before the various schemes of financial decentralization were put into effect under the political theories of the middle of the last century.

26.2 Perhaps the earliest step in the delegation of powers to local bodies (apart from the three "Presidency towns") was the

Act passed in 1850 making provision for the first time for the levy of indirect taxes by towns. This was followed by other Acts culminating in the financial decentralization scheme introduced in 1871, which itself was further developed by numerous local self-government acts in the following years. In 1909 the Royal Commission on Decentralization recommended reviving the village panchayats and giving them power of taxation and administration. Greater powers were gradually given in subsequent years to local authorities throughout India.

Efforts made to control local taxes on transport.

27.1. It became very early apparent, however, that the newly delegated powers to local bodies in so far as they applied to the taxation of trade would have to be restricted. As far back as 1687 it had been found that the power given to the newly formed Corporation of Madras to levy direct taxes was strongly resented by the inhabitants and the levy of octrois was permitted. It was not till many decades later (1844) that octrois were abolished in that city. From 1864, onward till 1917, the policy of the Government of India was to limit the operations of octrois, by restricting the number of articles to which they were to be applied, by lowering the rates, by requiring the provision of bonded warehouses, and, latterly, by conversion into terminal tax—all these as steps towards ultimate abolition of these taxes and substitution by direct taxation. From 1917 this policy was reversed. Octrois after this year continued to be more and more freely permitted and the regressive process was intensified even after the control of local self-government was transferred to Ministers.

Evils of local taxes on trade.

27.2 With the spread of motor vehicle transport, however, the evils of local taxation of trade became very apparent and, as a result of the recommendations of the Indian Taxation Enquiry Committee of 1924-25, many States made vigorous efforts to reduce or abolish such taxes as being "harmful to the free movement of goods, restrictive of trade, and uneconomical and costly to collect". From 1930 onwards the Motor Vehicle Taxation Acts of many States provided for the abolition of tolls wheel taxes, and other local impositions on motor vehicles, the local bodies concerned being compensated by the State for the loss of revenue sustained on this account. In this way tolls on roads were generally abolished throughout the country but in other directions these efforts were not everywhere successful. On the other hand, local bodies have recently been permitted in some cases to levy very heavy taxes on goods in transit and on motor transport generally.

Local taxes still very high in some areas.

28.1. As examples of high local taxation may be quoted the following levied by different Municipalities:—Wheel taxes rising to Rs. 240 a year on motor lorries; transit taxes of Rs. 5 per bus and eight annas per passenger; terminal tolls of Rs. 7 per bus per trip and Re. 1 per passenger; tolls of Rs. 2 per motor lorry and Re. 1 per bus; and so on. One Municipality was stated in evidence to have collected 50 per cent of its whole year's revenue from tolls of which one bus company alone contributed 25 per cent of the total revenue. The Municipality was stated to be not responsible for maintaining any motorable roads.

Examples of octroi and terminal tax dues.

28.2. Although taxes such as those on vehicles and passengers are vexatious and sometimes onerous, they are less harmful to trade and the economy of the country as a whole than the octrois and terminal tolls levied by local bodies in many parts of the country on goods

carried by road. (Terminal taxes or tolls are not refundable even when levied on goods in transit). As an example of the effects of this form of taxation it was brought to the notice of the Committee that a lorry bringing goods from Kanpur to Delhi paid taxes as follows:—

TABLE 6

Municipality	Non-refundable Octroi or terminal tax paid	Refundable tax
	Rs.	
Etah . . .	—	
Sikandra Rao . .	15	*Aligarh and Etah.*
Aligarh . . .	—	Deposit of 6 pies per
Sikandrabad . .	8	rupee on value of goods.
Ghaziabad . .	70	Amount was refunded
	93	late through commission agents, (see para 28·3.).

Octroi brokers

28.3. Municipalities are required by their rules to refund octroi taxes on goods in transit but the process of obtaining refunds is so difficult and often takes so long (four or five days) that a class of "octroi brokers" has sprung up, especially in Municipalities in Uttar Pradesh, who for a commission pay octroi dues on behalf of traders sending goods by road and obtain refunds from the Municipalities through which these goods pass. Goods in transit by rail are not subject to these impositions. In some Municipalities octroi payments of less than Rs. 10 are not refunded.

Delays more harmful than the taxes themselves.

28.4. The payment of these high taxes must be reflected in an increase in the selling price of the goods transported but perhaps the delays that occur while goods are being examined and weighed at octroi posts are as harmful or even more harmful to the economy of the country than the levy made on the goods themselves, especially where these levies are relatively light, as they still are in many parts of India (**See Appendix IX**). The places where payments have to be made may be three or four miles from the octroi posts and this makes for further delay. The constant sight of octroi barriers along the roads, carrying the implication as such barriers must do, that it is the poor who are ultimately being taxed, is distressing in a country that aspires to be an advanced democracy.

Evasions common.

28.5. Also, the evidence produced before the Committee indicated that evasion was common so that only a portion (it was suggested by some witnesses, a small portion) of the taxes due reached the Municipal coffers. It thus appears that even when octrois and terminal tolls on goods in transit are light, the levies are vexatious, and uneconomical in the manner of collection, not only because of evasions and malpractices but very often because the cost of the collecting agency is high in relation to the amount of tax collected.

Justification for local taxes

29. The Indian Taxation Enquiry Committee of 1924-25 observed that—

> "while all taxes are in a sense payments for services rendered directly or indirectly to the taxpayer. this feature is

present in a much more conspicuous degree in the case of local taxation than in that of taxes levied for the general purposes of the State".

Under the principle so enunciated it might be considered that there was some justification for the levies imposed by certain Municipalities on goods in transit over their roads but in many cases the through roads are maintained by the State Governments and only lanes and gullies by the Municipality. The Committee was informed that one Municipality announced when doubling the amount of its "terminal toll" on through traffic from a maximum of Rs. 35 to Rs. 70 per motor lorry that the proceeds were required for the construction of the town's waterworks. In another case, a by-pass road had been built by the State Government round a Municipal town avoiding the built-up area by half a mile or so. This was done because the through road had become dangerously congested from encroachments. The Municipality then obtained permission to extend the town boundaries and proceeded to erect Octroi posts and to tax through traffic that did not use any Municipal road nor enter the built-up area at all. The case of the Municipality that collected 50 per cent of its total revenue for the year from bus companies has already been mentioned.

Burden on trade.

30. Many of the taxes levied by the local bodies in some States, therefore, resemble the old transit duties in India, the abolition of which in the days of Lord Ellenborough* (1842-44) were intended "to free the trade of the country from an intolerable burden". The Taxation Enquiry Committee of 1924-25 commented—

> "Octroi and its modification, the terminal tax, are very ancient and primitive taxes, which have been abolished in most advanced countries.
>
> In the form in which they are levied in India they offend against all the canons of taxation: they are uncertain in their incidence; and their collection and the system of refunds which form an essential feature of the octroi, puts the person paying the tax to great inconvenience. When these taxes are imposed on the necessaries of life, as in India, they do not proportion the burden to the means of the payer, and the expense of collection and the facilities for fraud are disproportionately large. With numerous bodies each independently taxing trade, it is impossible to know what are the burdens trade is really carrying.
>
> The tax is very defective from the educative point of view, since it does not encourage a sense of responsibility among the electors, who do not directly feel the burden of the tax."

The 1924-25 Committee quoted the view of an expert that—

> "both theoretically and on the result of experience, no country can be progressive that relies to any extent upon octroi which has nearly every vice"

*Lord Ellenborough was President of the Board of Control of the East India Company before he was Governor-General. Transit dutes were abolished in Bengal in 1836, in Bombay in 1838, and in Madras in 1844.

These comments apply with equal force to the land customs duties that were levied by certain Part B States and that, in terms of the Federal Financial Integration agreements, are being allowed to continue for five years longer.

The demoralising effect of certain forms of local taxes

31. The evidence produced before the present Committee indicated that in some areas the ill effects on trade of local octroi, terminal tolls, and similar taxes on goods in transit, are to-day, in 1950, perhaps even greater than they were when the 1924-25 Committee commented so adversely on this form of taxation. Among the causes responsible for the present economic malaise in the body-politic of some parts of India, the reversion to this form of taxation, in the present aggravated form permitted by some State Governments, might not be a negligible contributing factor. It has been mentioned that neither octroi nor terminal taxes exist in the States of Madras, and West Bengal nor do they exist for the most part in the States of Bihar and Orissa which were formerly parts of the first two States mentioned and have consequently systems of local taxation less primitive in this respect than those of the later formed States. That numerous municipalities in Madras, Bengal, Bihar, and Orissa have managed to exist and carry out their functions, (in some cases, in Madras in particular, very efficiently) indicates perhaps that taxes on trade levied by local bodies in many other parts of India have actually made those local bodies less efficient than they might have been had their electors developed a sense of responsibility through taxing themselves for their own local needs. This question is dealt with further at a later stage in this report.

D—THE TOTAL BURDEN OF MOTOR VEHICLE TAXATION

Contribution of the motor vehicle to general revenues.

32.1. In the previous paragraphs the Committee have briefly discussed the nature of the Central, State, and Local taxes on the motor vehicle user and have given tables and graphs indicating, as far as they have found it possible to do so, the rate, incidence, and total amount of the taxes collected. In **Appendix X** they now attempt to work out what the average goods lorry would pay in Central and State taxes alone (disregarding local taxes) if it were operating to 75 per cent capacity over a distance of 20,000 miles a year. They find that these taxes alone amounted in the case of lorries to 100 per cent more than the average earning per ton-mile for carrying traffic by rail.

And towards the cost of road maintenance.

32.2. The taxes so collected may be considered to be built up of two elements, an element representing the toll or rent due from the motor vehicle user for the use his vehicle makes of the roads and an element representing the tax proper that each citizen must pay towards the common expenditure of his State government and of the Central government. Many witnesses, however, argued that motor vehicle transport should not make any direct contribution to general revenues since transport was a service and it was wrong in principle to tax services.

Comparative figures.

33.1. Considering, however, the toll or rent element of the total tax, the Committee found that in 1949, the total expenditure on road maintenance in the Part A States and the tax (Central and State)

collected on motor vehicles registered in those States compared as follows:—

(Part A States only)	*Rs. Lakhs.*
1. Total tax collected on registered motor vehicles and the commodities required for their maintenance and working . . .	2326·79
2. Total expenditure on road maintenance . . .	1168·40

Details are given in **Appendix XI**. These exclude all local taxes, octrois, terminal tolls, etc. The motor vehicle user has also been debited in this comparison with the entire cost of the maintenance and repairs of all roads maintained in the Part A States, by the Centre, by the States themselves, and by the District Boards in those States, although the bullock carts using the roads probably outnumber the motor vehicles by twenty-five to one.

Large contributions to Central Revenues.

33.2. The difference (Rs. 1158·39 lakhs) represents the contribution the motor vehicle user made in 1949 to general revenues, mostly Central revenues, plus an amount representing his share of the interest charges on the capital invested in the roads. How much these interest charges should be is a matter offering scope for much academic argument. The roads that existed in India before 1914 (before motor vehicles were used in any appreciable numbers) might be considered as having been built for the bullock cart and for general "community use" and the interest charges on the money invested in these roads upto 1914 could be considered as debitable to the bullock cart user and the community in general. Since 1914, the total expenditure in the Part A States on road constructions and improvements up to 1949 was Rs. 75 Crores. If the interest charges at 4 per cent on *all* of this were debitable to the motor vehicle user, the amount due on this account in 1949 would have been Rs. 300 lakhs only, the balance (Rs. 906 lakhs) being an excess contribution to general revenues.

Fair contribution based on Salter Committee's recommendations.

34. On the other hand, if one accepted the reasoning adopted by the Salter Committee (**Appendix XII**) who advised on motor vehicle taxation in the United Kingdom in 1932 duly modified as recommended by the Technical Sub-Committee of 1943 on road-rail relations but allowing a two-thirds debit to motor vehicles as explained in **Appendix XII**, the motor vehicle user in the Part A States previously considered should have paid in taxes in 1949 only two-thirds of the total amount spent on roads in those States (except the purely strategic roads). The actual expenditure on roads (both Central and State expenditure) was Rs. 1634·24 lakhs and the revenue collected as already shown Rs. 2126·79 lakhs. The excess credited to general revenues in this case would be 2126·79 minus two thirds of 1634·24 equals Rs. 1037·30 lakhs.

Criticism of "diversion" of proceeds of road taxes to other purposes.

35. By both methods of reasoning it would appear that the motor vehicle user in India paid more than his fair share of taxes in 1949 or, alternatively, the taxes he paid were to this extent "diverted" from their right use on the repair and improvement of roads, since it is admitted on all sides that the roads in India have not in general been properly repaired or reasonably developed in the past or even upto date. The taxes in 1950 are higher still and the contribution to general revenues greater since roads have been the first to suffer

throughout the country from the applications of the economy axe during the last year or two. The question of "diversion" of road-user taxes (an expression used in America to describe the expenditure of money collected from the road-user on objects other than the repair and development of roads) is discussed later in this report.

Criticism not.

36.1. As against the point of view of the road transport user and operator set out above there is another angle from which the case is generally looked at by those responsible for taxation measures. The most essential characteristics of a tax are that it is a compulsory payment made to the State and there is no immediate quantitative relation between the tax paid by the individual and the service rendered to him by the State. On the other hand, fees have been defined as "charges arbitrarily fixed by government in method and amount of payment, which individuals or groups of individuals pay as a special compensation for some service rendered by a public body, or for some expense which the individuals have caused the State in the exercise of its functions". Fees, however, tend to develop into taxes particularly when the fee exceeds the cost of service rendered. In all Central or federal taxes, such as the customs and excise duties on particular commodities like motor vehicles, parts and accessories, and fuels and other materials for their working, there is *no* element of 'fee'. The tax is of universal levy without regard to the ultimate use of the commodity taxed. It is therefore the object of the tax policy to treat all such taxes as for general revenue purposes of the Centre or Union.

36.2. The fact that in some federal governments the Union accepts responsibility for certain services like road development or makes contributions by way of grants-in-aid to subsidise such development by subordinate authorities, will not alter the above character of federal taxes. On the other hand, there are certain forms of State taxation which contain to a greater or lesser extent the element of 'fee' and, being of the nature of payments for services rendered, are commonly credited to the governing body which renders the services, which in the majority of cases is the State. The road tax on motor vehicles, and registration and licensing fees are cases in point. Fees and licences are, however, levied also by local bodies for specific services rendered for regulation of business or calling or as levies on particular forms of property or goods for financing the upkeep of general municipal services. Wheel taxes on motor vehicles, stand fees etc. are instances.

Assessment of tax burden.

36.3. To the extent the calculations of the burden of taxes (as made in **Appendices X et seq.** and the deductions made therefrom) are based on the agglomerate of all taxes Central, State and Local (and the predominant share of such taxes are from Central sources of taxation) they must be accepted with this limitation. They indicate no more than the total tax burden which the motor vehicle owner, be he a private individual or a hire transport owner or Corporation, incurs. In the case of persons plying vehicles for hire, the tendency naturally is to shift the burden on to the ultimate user, *i.e.* the bus passenger or the consumer of the goods carried by lorries. To the extent competitive margins allow it and rate fixation by statute does not inhibit it, the tax burden will be passed on to the ultimate consumer of the service. No valid argument for the sharing or appropriation for particular purposes of a general purpose tax can be sought to be derived from such calculations of the gross initial incidence of taxes on motor vehicles.

36.4. If transport is regarded as a service, a more proper way of assessing the tax burden would be to determine the extent to which the taxes (including unrequited) enter into the cost of such service, *i.e.* the fares and freight rates charged. There is also every justification for the inclusion of an element in the cost of such service equated to the cost of road development and maintenance that is to be recovered from the road user and reimbursed to government. Hence the burden of this general contribution element will be proportionately less in the case of taxes levied by State governments, who have functionally to carry the major responsibility for road development out of general revenues, and more in the case of the Union government who have less of this functional responsibility but whose general service functions are required to be maintained by revenues collected from as wide a source as possible.

CHAPTER III—INLAND TRANSPORT CO-ORDINATION AND REGULATION

Principles of inland transport co-ordination.

37.1. As long ago as 1933, a Committee of independent experts attached to the International Chamber of Commerce recommended a transport policy to the League of Nations for worldwide adoption by all countries. This policy is briefly referred to in **Appendix XIII** and its statement on an international platform led to a study of their own policies by many nations and had a considerable influence on subsequent legal enactments all over the world. Recently, in 1950, the United Nations had occasion to consider a further statement of the ideal transport policy recommended to all nations for adoption by the same International Chamber of Commerce. The Chamber suggested that policy should be based on the following principles of inland transport co-ordination:—

"(1) Production and distribution are dependent upon efficient and economical transport, and transport in turn depends upon flourishing production and distribution. The problem is thus two-fold and should not be considered only from the standpoint of transport.

"(2) To ensure the application of this principle there should be arrangements in each country for consultation of the various forms of transport with their users, (agriculture, industry, trade), on rates, charges, services, conditions of carriage and all other economic aspects of the problem.

"(3) The user should enjoy unrestricted freedom of choice among the means of transport.

"(4) Transport "for own account" should be unrestricted.

"(5) There should be national studies of inland transport with a view to determining all the elements of the cost of each form of transport in each country.

"(6) Whether the different forms of transport are either separately administered or centrally controlled by a statutory body, they should be free to compete. Healthy but not wasteful competition should be encouraged and for this purpose the different forms of "professional transport" should be placed on a comparable competitive basis by revising and easing the statutory obligations, keeping also in view the interests of transport for "own account". Structure of charges should reflect the cost of providing the service and should be framed so as to obtain the maximum economi efficiency of each form of transport.

"(7) Nothing should be done which would hinder the development of any particular form of transport or disguise the advantages it could offer or which would discourage its use in order to provide artificial support for any alter-

native form of transport. The basis of co-ordination must be dynamic, not static.

"(8) In the interests of defence or the general national welfare, it may be necessary, in very exceptional cases, to maintain certain forms of transport at a minimum level. The losses on such operations should not throw additional charges on transport users as such; they should be nationally borne."

37.2. These principles and the probable effect of their adoption in India will be discussed later in the report. In the following paragraphs of this chapter the Committee indicate briefly the general extent to which public action has so far been taken in India when the efficiency, first of road transport and, then, of road and rail transport, was believed to have been compromised by uncontrolled and unhealthy competition. The Committee also attempt to show, very briefly, how a transport policy for India is being gradually evolved and how far this policy still is from attaining the ideal first suggested in 1933 and since then amplified and elaborated in 1950.

Regulation of motor vehicle transport.

38.1. The Indian Motor Vehicles Act of 1914 was the first all-India enactment controlling motor vehicles. Prior to that Madras, Bombay, Bengal, the Uttar Pradesh, the Punjab, and Burma had their own provincial acts relating to motor vehicles. The 1914 Act did not make any distinction between the different types of motor vehicles nor was any attempt made to restrict their free movement. But it must be remembered that the use of motor vehicles was at that time in its infancy.

Non existent at first.

38.2. Conditions changed radically after the 1914—18 war when surplus military vehicles found their way onto the roads in large numbers and the pace at which goods and passenger transport subsequently developed took the then Provincial governments by surprise. The executive authority in respect of roads and road transport was provincial and neither under the Indian Motor Vehicles Act of 1914 nor under any of the then existing laws or rules was there any provision for effective regulation of motor vehicle competition. The result was that very soon *internal* competition in road transport for the carriage of passengers (and to a smaller extent of goods) led to rate cutting on such a severe scale that in many areas it could be said in literal truth that passenger transport on the roads was being financed by bankruptcy. Instances were not uncommon where a person bought a surplus army vehicle, fitted it out as a bus, and ran it on overcrowded routes in competition with others similarly placed, with the minimum of repairs and maintenance, while earning only sufficient to keep himself alive and his bus on the road. When the bus wore out, the operator was bankrupt.

But ultimately provided on all-India scale by the 1939 Act.

38.3. The 1914 Act was supplemented in the post-war years by provincial Acts in an effort to introduce some form of regulation and control but it was not until road-rail competition began to affect railway revenues that legislative action on an all-India basis was undertaken resulting in the passage of the Motor Vehicles Act of 1939. Under this Act minimum obligations were placed on the road transport industry to ensure its wholesome growth under conditions of healthy competition in the industry itself and with the railways.

38.4. The 1939 Act was laregly modelled on the corresponding English Acts and provided for the creation of Regional and Provincial Transport Authorities who were given full powers within the provisions of the Act, to grant permits to "stage carriers" (bus owners), "public carriers" (public goods lorry owners), and "private carriers" (owners of goods lorries carrying their own goods), etc. and to lay down the conditions (routes, timings, specification of the vehicles, standard of maintenance, etc.) under which the permit holders must operate.

Independence of Transport Authorities.

39. An important provision of the Act is that the Provincial and Regional Transport Authorities are given independent powers for all practical purposes and are not subject to the direction of the State Government in the matter of their decisions in regard to the issue of permits. The intention of this provision (and the same delegation of quasi-judicial powers exists in the United Kingdom and in the United States of America) is to prevent political considerations having any influence on the grant of permits which are to be given solely in the interests of the public generally, the interests being determined, as prescribed in the Act, mainly with a view to prevent unhealthy competition and other malpractices which might compromise the efficiency of transport in any region or in the country as a whole.

The working of the Motor Vehicles Act of 1939.

40.1. The Committee are concerned in this matter only to the extent to which the existing law facilitates the provision and development of cheap, rapid, and efficient transport. It was alleged in evidence before the Committee that some Transport Authorities had been directed by the State Governments concerned to grant and refuse permits on considerations other than those laid down for their guidance in the Act (the adequacy or otherwise of the existing transport services on each route, etc.) and cases were quoted where, on account of excessive grant of permits, buses ran by arrangement with the other licenced operators on every second or third day only, remaining idle in the intervening periods. It was in the opinion of some witnesses a national waste to make such poor use of motor transport, purchased mostly from hard currency countries.

High Court Judgement.

40.2. The action of one State Government in this and other respects has been questioned by the appropriate High Court. Extracts from the judgment recorded by the Court are reproduced in **Appendix XIV.** As an example of the amendments made during the last few years in the Motor Vehicles Act of 1939 by another State Government may be quoted a provision entitling the State Government to issue orders and directions of a general character to the Transport Authorities. Under this amendment, the State Government has taken powers to order the Transport Authorities to grant temporary permits only, or to renew permits for a temporary period, on routes on which the State Government contemplated "engaging in the business of road transport". Under another amendment, the State government took powers to review the acts and orders of the Transport Authorities as to their legality, regularity, or propriety, and to pass such orders in reference thereto as it thought fit.

Power of review to be delegated to a judicial authority.

40.3. The difficulties faced by the State governments are appreciated. In a country where the total number of transport vehicles is even today, less than 100,000 but spread over 1¼ million square miles, and where the number of fleet owners and managers accustomed to handle road transport and with a knowledge of its problems,

is still pitifully small, there is not a sufficient reserve of experts on which to draw for service as members of the Transport Authorities, particularly since the Act precludes the appointment on these Authorities of any one who "whether as proprietor, employee, or otherwise" has any financial interest in any transport undertaking. Officials of sufficient standing cannot always be deputed for whole-time service nor can they always be retained as members of the Authorities long enough to gain the required experience. It has been alleged that non-official representatives of the general public of the required calibre and integrity are often not appointed in sufficient numbers to these Authorities and the Appellate Committees. It is perhaps necessary, therefore, for Governments to provide for the giving of directions to and reviewing the orders passed by the Transport Authorities, but in that case *it is in the view of the Committee essential that, in the interests of maintaining efficient transport services, these powers be delegated to a judicial authority.*

Subservience of some Transport Authorities.

40.4. Some members of Transport Authorities did not appear to be aware that they were required to give their decisions solely in accordance with the provisions of the Act and independent of the known or putative views of the State governments. In the ultimate issue, however, enlightened public opinion may be trusted to secure in time proper compliance with the Act. The Courts will no doubt also help to secure this objective as they do in the United Kingdom and the United States of America.

Encouraging example of enlightened public opinion.

40.5. An encouraging example of the strength of enlightened public opinion was the widespread condemnation, by those in Madras who replied to the Committee's questionnaire, of the action of certain municipalities in levying bus stand fees against which the municipalities had not provided appropriate bus stands and ancillary amenities. Having been generally free for many years of municipal taxation on transport and goods in transit, the people of the Madras State had become sufficiently enlightened to object strongly to paying municipal fees in excess of the rates required to provide the services for which the fees had been levied. Municipal impositions in some other States in India, are many times more onerous and vexatious than the single bus-stand fee levied in Madras, yet the Committee found public opinion in these States was not sufficiently enlightened to object, or object strongly, to a system of levies which, in the words of the Indian Taxation Enquiry Committee of 1924-25, "offends against all the canons of taxation".

Road-Rail co-ordination.

41.1. Power was given to State Governments under the Motor Vehicles Act of 1939 to prohibit, or restrict conditionally by notification in the State Gazette, the conveying of long distance goods traffic by road, or of prescribed classes of goods, by private or public carriers with the object of attaining co-ordination of road and rail transport. From the evidence obtained by the Committee it appeared that only one State government had taken action on this Section although, in more than one State, there was some differentiation made in respect to this kind of goods traffic, the granting of permits for distances of over 100 miles being reserved, for example, in one State to the Provincial Transport Authority.

Extreme views on restriction of goods transport by road.

41.2. The Committee heard a good deal of evidence on the subject of road-rail co-ordination. The general opinion of non-official witnesses was against placing any restrictions on long distance goods traffic by road or, at any rate, on this traffic up to a distance of 300 miles on routes parallel to the railways. The State governments

also were inclined to argue that there was no rail-road competition and never had been. One of the leading State governments wrote that they would "go to the extent that even if all the railways have roads parallel to them, even then, there would not be any real competition..... The main reason is that roads mostly serve agricultural commodities that are required in the immediate neighbourhood. They cannot serve industries to any appreciable extent and the question of unfair competition would not really arise". This government went on to say "whether the railways are run at a profit or loss is immaterial".

At present little or no road rail-competition.

41.3. Apart from such extreme expressions of opinion, however, there was general agreement that the railways were essential to the economy of the country, that in fact they were a national asset owned by the people, and that they should not be run at a loss. The Wedgewood Committee estimated that in 1935-36 the railways lost Rs. ¾ crores on goods traffic and Rs. 3¾ crores on passenger traffic through road-rail competition. The view of this Committee expressed after careful study of all available data, cannot be ignored. Railway opinion, however, appears to be that the loss was much greater but, in recent years it is a fact that the railways have not been able to accept all the traffic offered and all the evidence placed before the Committee during its tour and in the replies to its questionnaire indicated that there was at present little or no road-rail competition.

Increase in railway running.

41.4. Current trends appear to be indicated by the fact that many goods vehicles have recently gone off the road. This would suggest that road-rail competition might become a live issue in the near future if it be admitted that the decrease in goods transport by road arises, as claimed by some operators, from an increase in railway running. (There was an increase of ten million train-miles last year). On the other hand, the abolition of petrol rationing may have had some effect in putting lorries off the road since the remaining lorries can now obviously have a much larger ton-mile output than when the supply of petrol was restricted. The Committee were not able in the time at their disposal to study this question fully. The fact that the total consumption of petrol has increased since de-rationing (though the increase has not yet been as great as was anticipated by the oil companies) would perhaps tend to show that both the factors discussed above are operating.

Road-rail Code of Principles and Practice.

42.1. There are, however, at present severe regulatory restrictions in most States on goods transport by road and these, together with the restrictions imposed by the present heavy taxation on motor vehicles discussed in Chapter II of this report, may be an added reason why there is at present no appreciable road-rail competition or no road-rail competition at all. The regulatory restrictions on goods transport by road arise from the method of granting permits introduced by the Motor Vehicles Act of 1939 as discussed below. These restrictions are being intensified in some directions by the requirements of the *Code of Principles and Practice* recently accepted by all State governments. Under the Motor Vehicles Act of 1939, the Regional Transport Authorities cannot, except in special cases, give permits to goods vehicle owners to run outside the "region" in which they are registered. In some States the "regions" do not cover very large areas and, in any case, the Code of Principles and Practice already referred to, precludes in effect under present

conditions the creation of special zones so as to include an area "equivalent to the compact area of a circle of 75 miles radius" unless permission has been granted by the Standing Committee of the Central Board of Transport.

"Regions." 42.2. Apart from this restriction, it would be extremely difficult always to define the boundaries of a region so as not to exclude some, or even many, important centres of trade which normally would reciprocate with centres in the region; in other words, regional boundaries must necessarily often cut across roads connecting market and trade centres to each other. The Bombay city region, for example, excludes now, and must inevitably always exclude, vast areas that trade with Bombay. The Provincial Transport Authority in most States has powers to grant permits for inter-regional traffic and Regional Traffic Authorities may, by mutual agreement, also grant such permits but, under the system which has grown up since the passing of the Motor Vehicles Act of 1939, the granting of inter-regional permits presents difficulties, especially with respect to goods traffic. For example, a goods vehicle operator granted an inter-regional permit is tempted to operate at lower than market rates in the "foreign" region while waiting to collect a return load. He is also tempted to carry the return load at very low rates rather than to return empty to his own region. It is difficult to control such operations and the tendency of the Transport Authorities, therefore, is to restrict the validity of permits to one region.

"And "Zones." 42.3. Thus, special zones cannot be created to cover an area "equivalent to the compact area of a circle of 75 miles radius" without the permission of the Standing Committee to the Central Board of Transport, and the Transport Authorities in many States are not willing to extend the validity of permits beyond the existing regions, however small they may be. It is easy to see that the restriction of permits to small or badly laid out regions will tend to create vested interests among operators of goods transport in those regions (the Committee have reason to believe this is happening already) and this cannot be to the advantage of trade or of the country generally.

Distance restrictions. 42.4. The Code also forbids generally the granting *or renewal* by Regional Transport Authorities of "any carrier's permits" valid for a distance exceeding 75 miles between places served by rail and by Provincial Transport Authorities, of similar distances exceeding 150 miles. "Between places connected by rail" is defined as "between places connected by a railway route not exceeding in length one and a half times the length of the road where there is no break of gauge in the railway connection, and not exceeding the length of the road, where there is a break of gauge....." so that the length of the railway route might be 225 miles. Whether it is legal under the Motor Vehicles Act of 1939 as it stands today to give such directions to the Regional or Provincial Transport Authorities or to require them to refuse renewal of permits, if any, already granted for such 'long distance' traffic, is for the Courts to decide.

Road-rail Competition. 43.1. As mentioned in paragraph 41.2, the great weight of evidence examined by the Committee was hostile to the restrictions imposed on road transport by the Code of Principles and Practice on the grounds that such restrictions were entirely unnecessary and that, if they at any time became necessary, it would only be because the railways were being operated inefficiently. Many witnesses pointed

out that road transport was already operating under a crushing burden of taxation, the taxation on goods vehicles alone being more per ton-mile than twice the average railway ton-mile tariff (see paragraph 32.1); that road transport as a whole was by itself (independent of the taxes paid by other classes of road users) paying in taxes more than the total cost of the present expenditure on road development and maintenance and that, in brief, the imposition of these restrictions was contrary to the fundamental principles that the choice of user in the matter of transport should be unrestricted and that government should encourage the provision of cheap, rapid, and efficient transport. Most witnesses, however, agreed that there should be co-ordination of all forms of transport, particularly road and rail transport, but they maintained that the co-ordination prescribed in the Motor Vehicles Act as at present being interpreted in some States and in the Code of Principles and Practice was unduly restrictive of road transport.

Cannot at present affect railway revenues appreciably.

43.2. In view of this widely expressed opion the Committee was at some pains to examine, as far as it was possible to do so from the statistics available, what would be the possible effect at the present day of unrestricted road-rail competition. From the evidence of road operators it appeared that the cost of transport of goods by road per ton-mile at the present day varied between 40 and 48 pies. For long distance traffic, the relative advantage possessed by the road operator because of his ability to deliver from "door to door" etc. would not be very great but, if this advantage were arbitrarily assessed as being equivalent to a rate of say ten pies a mile for a "lead" of 150 miles, dropping to five pies a mile for a lead of 300 miles, road transport operating at its maximum efficiency (40 pies per ton-mile) would compete with the railways for goods rated at more than 30 to 35 pies, provided the "load factor" for each were about the same—a proviso that would only be true for fortunately placed road operators as the general run of such operators have difficulty in getting return long-distance loads. Private carriers (paragraph 38.4) particularly, by the nature of their permits, seldom can have a return load at all. Information with respect to traffic carried by the railways and rated at more than 30 pies per ton mile after they revised their rating structure in 1948 is given in the Table below:—

TABLE 8

Year ending 31st March	Goods rated at 30 pies or over		Goods rated at 35 pies or over.	
	Ton-miles Millions.	Earnings Rs. Lakhs.	Ton-miles Millions.	Earnings. Rs. Lakhs.
1949	154·4	274·86	51·40	99·64
1950	213·00	377·70	78·30	151·92

But in the worst case.

43.3. It was argued on the other hand before the Committee that public carriers could operate by road at as little as 32 pies per ton-mile. Alternatively, the advantages of door to door service, easier packing, quicker delivery, absence of pilferage, personal contacts, between the road operator and his client as against the impersonal and often dilatory service rendered by the railways, all these should cumulatively be assessed at a higher value than considered in the previous paragraph. Against this is to be set (since not included in the previous calculations), the octroi, terminal tolls, and other levies borne by goods carried by road in some areas as described in paragraphs 26 to 30 above.

Could be compensated for by increase in certain railway rates.

43.4. If, however, all these figures were disregarded and it were assumed that 25 per cent of all the present goods traffic rated by the railways at more than 18 pies per ton-mile went by road, the loss to the railways would not exceed Rs. 6 crores. If all this loss were covered by increasing the cost of carrying coal by rail and the loss passed on to the public, the railway rate for this commodity would have to be increased by about 50 per cent. for other than the coal required by the railways themselves. In this case the rate for coal would, for a 1500 mile load, be 3·60 pies per ton-mile against 2.40 pies, the present rate.

43.5. Against this it can be argued that all these estimates exaggerate the potentialities of road competition. The total number of petrol driven public carriers in India in September 1949 was 49,289. A large proportion of these are engaged in intra-municipal, and intra-regional local traffic. Under the Motor Vehicles Act, 1939, as already mentioned, the effect of the policy followed by the Transport Authorities is to confine vehicles increasingly to such local uses. The annual Administration Report of the Motor Vehicles Department, Bombay Province, for 1947 shows that the Authority of one Region (South Deccan Region, Poona), who issued 640 public carrier permits during the year, granted only 7 countersignatures to vehicles of other regions. This would indicate that the inter-regional traffic permitted in that region, on a permanent basis, is only 1 per cent of the local traffic. but this case is perhaps an exception and enquiries show that at least in one other region, inter-regional permits issued amount to 28 per cent. of local permits. Assuming that 28 per cent of all public carriers in India can engage themselves in inter-regional traffic, the number of vehicles involved is 13,800. With an annual carrying capacity of 70,000 ton-miles and a load factor of 75 per cent the volume of inter-regional road traffic would work out at 724 million ton-miles. If, as can be readily assumed, half of this consists of non-competitive and feeder traffic, the competitive traffic is 362 million ton-miles as against 22,748 million ton-miles moving by rail. The total competitive capacity of public carriers is thus no more than 1·6 per cent of the rail-traffic.

Railway potential has not increased in recent years.

43.6. Whichever of the above stated arguments be considered valid, the evidence placed before the Committee indicates that at the present time there is no general road-rail competition at all because of the simple fact that the railways in most areas are not able to carry all the traffic offering. Nor could there be much competition in the face of all the restrictions on goods traffic by road described in the previous paragraphs and when the average goods lorry pays from 18 to 21 pies per ton-mile in taxes alone as shown in Appendix X. If

there was severe competition in 1931—36 (and the Wedge-wood Committee quoted in paragraph 41.3 did not consider this competition as severe ~~at present~~ as far as goods transport was concerned) it does not follow there will be such competition in future. The population of the country has grown by many millions since 1931—36, industry has developed enormously, and the general standard of living has gone up—all factors that make for increased transport of goods—while *potential* railway capacity has not increased in proportion since the route milage has not increased appreciably in recent years and, relatively, no very great addition has been made to potential capacity by doubling of railway tracks. The following figures point the moral.

While population, industry and living standards have grown.

Country	Lorries per route mile of railway (1949)
U. K.	37·90
U. S. A.	20·13*
India	2·15

*1945 figure.

43.7. The Committee have only set down these hypothetical arguments with a view to attempting an analysis of the opinions expressed at their "hearings" and in the written replies to their questionnaire. Although no firm conclusion could be arrived at with respect to the possibilities of unrestricted road-rail competition, it is evident that, unless the number of goods vehicles increases considerably, the extent of possible road-rail competition, even if there were none of the present restrictions, is limited. The recommendations of the Committee will be given at a later stage in this report.

Extent of road rail competition distinctly limited

44.1. The Code of Principles and Practice also requires the State Governments to organize public passenger (stage carrier) transport (*vide* paragraph 38.4 above) into "substantial undertakings in which the railway or railways concerned will be offered, on reasonable terms, a financial interest of not less than 20 per cent." and some State Governments have already set up such undertakings and others are in the process of doing so in compliance with their acceptance of the Code. So far the railways have invested Rs. 116 lakhs in these undertakings but further investments are contemplated. The following figures relate to the main State undertakings as supplied to the Committee. These Undertakings are growing rapidly and the figures merely indicate the position at the time of the Committee's enquiry—

State Transport Undertakings.

State	Buses	Goods Lorries	Remarks.
Bombay	1340	—	Also 148 other vehicles
Madras	322	—	City Services only.
U. P.	1304	521	Also 51 taxis.
M. P.*	170	—	Also 17 other Vehicles.
W. Bengal	216	10	Also 4 other Vehicles.
Orissa	81	68	Also 40 other Vehicles.
Assam	58	55	Also 8 other Vehicles.
Himachal Pradesh	53	—	Also 4 other Vehicles. In addition there are (77 buses off the road.
Delhi	185		

*Tripartite Company

Impressions generally favourable

44.2. The general impression gained by the Committee with respect to those of the State undertakings on which evidence was heard was that they were on the whole being ably built up under difficult conditions by very competent officers, that the services provided were generally better in some States (more punctual and more comfortable, than those previously provided by the private operators replaced), that amenities (bus stands, etc.) were being provided on a larger and better scale than before, and that satisfactory repair and service stations were being organized. On the other hand, there were complaints about the State Transport Services as being slow inefficient, and costly. The staff in some States were said to be disobliging to passengers and disregardful of the interests of the undertaking.

Except in the matter of cost

44.3. The evidence that State undertakings were as cheap as they should be was not so convincing. The rate charged on the average route by the Bombay State service, for example, is 9 pies per passenger-mile as against a permissible 7 pies (in practice, however more usually 6 pies) charged by large private fleet owners in Madras where the taxation is much higher. Again, some witnesses claimed that the State services in their States operated on the profitable routes leaving the unprofitable routes to private operators and the Committee found there was an element of truth in this claim.

Management not everywhere sufficiently independent

44.4. Undoubtedly, it should be possible to run large State undertakings more efficiently than those run by the single bus owners or small fleet operators they replaced if only because of the ability the large concerns should have in reducing repair and maintenance charges through the provision of large and efficient workshops. On the other hand, unless such undertakings are run on strictly business principles, free from red tape and from interference in day to day administration, with power given to the management both to reward and dismiss staff, it is doubtful if they would be able to give efficient service as measured by the standard of cheapness. The evidence was not convincing that the present management every-where had such freedom.

Balance Sheets

44.5. The Committee were privileged to see rough balance sheets of some of these State undertakings. From these it appeared that, while the undertakings were paying all Central and Local taxes on transport, they did not always pay State taxes though generally *pro forma* allowances were made for these. As a rule, however, no allowance was made for income tax and for the purpose of comparing operating efficiency with private undertakings the balance sheets were defective. Also, the State services had not generally been running long enough to enable the managements to be sure they were making sufficient allowances under such heads as depreciation, maintenance, repairs, etc.

Not a gold mine if rates are kept reasonable

44.6. The general opinion of the better informed witnesses was that private operators had had opportunity to make considerable profits during and shortly after the war but that the margin of profit at the present time was low, in some cases very low, partly owing to the recent increase in the price of components and spare parts (arising out of the devaluation of the rupee and the recent heavy increase (up to 90 per cent. in import duties), partly because of the ever increasing cost of the skilled workers employed, and partly because of the general heavy increases in State taxation in the last two or three years. The

allowance for depreciation in the balance sheets must also now be put at twice or even three times as high as formerly owing to the present high price of new vehicles. It is therefore by no means certain that the State undertakings will make big profits, even if run on fully commercial lines, unless they are made into complete monopolies with freedom to raise fares to an extent that would not be possible if there were reasonable competition.

Efficiency

44.7. Many witnesses were uneasy about this as they felt that the efficiency of State undertakings, measured in terms of the fares charged, could only be maintained if competitive private services were run on the same routes or on comparable routes in the neighbourhood. There is also a limit to which fares can be raised and one State undertaking had already felt a falling off in traffic although this might have been merely a seasonal drop. It is yet too early to generalize but the tentative opinion of the Committee is that State services, if they are to be of true benefit to the community, will not be the gold mines anticipated by some of their sponsors.

Bus Fares

44.8. Many operators claimed that a rise in fares should be permitted. They pointed out that fares were not at present much higher than they were several years ago when the capital at charge in most transport undertakings, their operating costs, and the taxes they paid, were very much lower than at present. This claim appeared to be viewed with some sympathy by State governments, especially those that had started running their own services. On the other hand there is a great deal of statistical evidence to show that the modern motor vehicle is much more economical to run than its predecessors and it is a fact that, in the U.K. for example, bus fares are very little higher than they were many years ago and in some cases they are actually lower. The following figures given in a lecture to the Royal Statistical Society, London last year may be of interest in this connexion:—

TABLE 10

Year	Operating Costs. Cost in pence per mile.	Percentage based on 1922	Remarks.
1922	10·78	100	These figures refer to an average "4-ton" lorry running 600 miles per week.
1926	8·77	81	
1931	8·76	81	
1934	7·26	67	
1937	5·45	51	
1948	7·41	69	

It will be noticed that in the U.K., the cost of running a 4-ton vehicle was practically halved during the period 1922 to 1937, the saving being mainly due to the increased efficiency of modern vehicles. The 1948 figures given in the table are not strictly comparable with the others because of the rise in prices and wages since the war broke out but it is significant that even with these charges, the operating costs in 1948 were only a little over two-thirds of those

in 1922. In India, the maximum fares fixed by one State government varied during the last few years as follows:—

Years	*Bus fare*	*Percentage*
1939	3 pies	100
1942	4 „	133
1944	6 „	200
1947	6 „	200
1950	7 „	233

Increase in rates require justification

44.9. The Committee feel that in the interest of providing the cheap and efficient road transport that India so badly requires, State governments should be at pains to apprise themselves of all relevant facts before accepting any increases in the maximum rates and fares prescribed under the Motor Vehicles Act of 1939. If, by means of regulation, a State government ensures reasonable competition between motor vehicle operators, the problem of fixing suitable maxima should not be difficult of solution. The difficulty will only arise where there are large monopolistics (State or private) undertakings. (The question of fixing *minimum* rates and fares is dealt with in paragraph 46 of the report.)

Development of "Cross traffic"

45.1. As already mentioned in paragraph 41.1, the Motor Vehicles Act of 1939 empowered State governments to prohibit or restrict in the interests of road-rail co-ordination the carrying of long distance goods traffic, or of prescribed classes of goods, by road. Such prohibition or restriction could also be enforced for purposes of aiding the development of motor transport, preventing deterioration of the road system, or preventing uneconomic competition among motor vehicles. The Act did not stress the desirability of governmental action to encourage feeder services to the railways but some guidance in this matter has been included in the "Code of Principles and Practice in the Regulation of Motor Transport" recently accepted by State governments. This Code stresses the undesirability of permitting "wasteful duplication" of transport services and stresses the need for "healthy development" of transport on "improved district and village roads". It places a general embargo on "long haulage" of goods (over 150 miles) but only on routes "parallel" to railways so that distances travelled on roads that are feeders to railways do not come within the "long distance" ban.

State governments should encourage cross traffic

45.2. Occasionally State governments have encouraged traffic on routes that feed the railways by permitting, for example, higher passenger fares than on parallel routes *e.g.* 8 pies as against 6 pies per passenger mile in one case quoted to the Committee. Operators were asked by the Committee why they tended to crowd on established traffic routes and apparently made no serious attempt to develop "cross routes" or routes that would serve as feeders to the main roads and the railways, not necessarily always parallel to one another. They explained that the development of feeder routes presented many difficulties, the roads were seldom in good condition and there was an absence of bridges, both of which made for heavy operation costs; the traffic offering from the smaller market centres away from the main routes was often small so that a full pay-load could seldom be obtained; and they had to overcome prejudice and the vested interests of the previously established carriers and often of the local merchants. That the development of feeder routes with the help of State action is sometimes quite feasible at no prohibitive cost is

indicated by the experience of one State Government which recently built a road into a previously land-locked area. At first it was difficult to persuade operators to ply on the new road and the public to use the transport services provided so that operation was carried out at a loss. In a short time, however, traffic improved and now several flourishing services are running.

Tax concessions

45.3. In the interests of opening out the country with all that that means in the way of improving the condition of the villager in tracts hitherto difficult of access; encouraging the growing of crops for export to urban, deficit, and industrial areas; facilitating the growth of local educational and health services; and generally in bringing the villages into the main stream of economic and cultural development of the country, the Committee would urge that State Governments give increasing attention to the development of motor transport in the interior of their territories. The construction of roads may take time but, if tax and other concessions are given to operators plying on interior routes, it should be possible to concentrate first on road and bridge construction on the more promising of these routes and gradually to develop others as funds become available.

Minimum Fares

46.1. The Motor Vehicles Act of 1939 permits State governments to fix minimum fares and freights for "stage carriages" and "public carriers" respectively but the Committee did not come across any example of a minimum fare or freight having been fixed. It appears the framers of the Act hoped that if minimum fares and freights could be fixed and enforced, a step forward in the elimination of uneconomic competition within the motor transport industry itself and between road and rail transport would be possible.

46.2. The difficutly lies in enforcement as payment of less than the minimum fares or freights could generally only be detected with the assistance of *agents provocateurs*, a method of detection that must be repugnant to any democratic government. Also, it appeared to the Committee that, especially with respect to goods traffic where the collection of a "return load" often presented difficulties to an operator, it was in the interests of the healthy development of the industry itself to permit the acceptance of some kind of pay-load rather than none at all. Again, the fixing of minimum fares and freights would appear to partake of undue interference with private enterprise when it was endeavouring to establish new ruotes and services, or giving compensation for services rendered, or otherwise establishing business.

The role of private enterprise

47. The existing motor transport industry in India, it has to be remembered, has been established entirely by private enterprise, often in the face of many difficulties, and further growth of the industry, in spite of the setting up of State monopolistic undertakings over many established routes, will probably depend for a long time to come on this same private enterprise. In fact, the hope of establishing traffic over hitherto unremunerative routes and what the Committee has called "cross traffic" routes (paragraph 45.1) may have to rest for many years longer on private enterprise—until at least the State undertakings have achieved sufficient stature, experience, and flexibility (freedom from red tape) to enable them to enter into speculative undertakings. The Committee would not advocate the suppression of private enterprise altogether or even its wholesale discouragement since except in a totalitarian State, it is

doubtful whether it would be advisable for undertakings financed by the State to pioneer on any large scale or otherwise indulge in any great speculative activities. It would be much better to allow scope, deliberately, and as a matter of policy, to private enterprise to develop new routes and traffic as they did in the past.

Regulation

48. The Committee heard a great deal of evidence on the question of regulation of road transport. Most witnesses and correspondents agreed that regulation was necessary to prevent unfair and uneconomic competition in the road transport industry itself; to ensure proper standards of construction of vehicle bodies, of maintenance, and of safety; to prevent overloading and overcrowding of passengers; and to secure regularity and punctuality in the services, good conduct of the operating staff, observance of speed and traffic requirements, and many such matters. It was generally agreed, however, that the comprehensive scheme of regulation provided in the Motor Vehicles Act was all that was necessary and that what was often lacking was the drafting of detailed rules under the Act and, above all, proper enforcement of prescribed regulations.

Enforcement

49. The Committee found that some States had taken pains to draw up comprehensive rules and were enforcing them with firmness while in other States overloading and overcrowding, for example, were not uncommon, and offences of all kinds were often not detected or punished. There were great discrepancies in the fees levied in different States (see **Appendix VII-C**) and presumably in the strength and competence of the enforcement staff paid from the proceeds of these fees. The Committee deal with this subject later in the report.

Trained Staff necessary

49.2. Efficient enforcement of regulations will not be possible unless the enforcement staff are adequately trained in traffic control and have some knowledge of the management and working of motor vehicles. It is not reasonable to expect the average policeman drafted to the enforcement squad to have the required knowledge, yet in many States enforcement is largely left to such untrained staff so that it is no wonder it is inefficient. The Committee recommend that regular enforcement staff should be recruited and properly trained in all States and the cost of this staff recovered from the motorist by increasing the inspection fees and permit and other fees if the present income from these is not sufficient to meet this charge. They recommend also that all the staff employed in the road transport departments of the States should be qualified and properly trained. Some enforcement must, however, always have to be left to the ordinary police. If there is close co-ordination between the police and the regular enforcement staff, so that difficult cases are left to be handled ultimately by the latter, many of the present evils and much of the present lack of proper enforcement will be eliminated.

Special road-rail regulation

50.1. With regard to the question of introducing special regulation to prevent or control road-rail competition, the great weight of opinion was definitely against any action in this matter. It was maintained that the existing provisions in the Motor Vehicles Act (if interpreted so as to give all purveyors of transport an opportunity to make representations as to the adequacy of existing transport facilities or those proposed in the near future) were more than were required to deal with a danger that did not exist at present and was not likely to arise so long as motor vehicles were subject to the present heavy scale of taxation, the taxes alone amounting in the

case of lorries to 50 per cent., more than the average earning per ton-mile for carrying traffic by rail (para. 32.1.). Many witnesses even maintained that the existing strict regulation of goods vehicles in the matter of confining the great majority of them to all intents and purposes to small regions in a State (para. 42.3.) and restricting "long distance" traffic on routes parallel to the railways (para. 42.4.) was doing much harm to the economy of the country.

50.2. Some witnesses, however, were aware that the railways were subject to strict regulation in that they were obliged by statute to accept all traffic offering and were forbidden to discriminate between their customers. They also admitted that the railways were probably carrying low rated goods such as coal, manures, and perhaps foods grains, at less than cost. On the other hand they argued that if the railways were permitted to refuse to carry "short distance" goods traffic in quantities of less than full wagon loads where there was a parallel motor goods service and if they concentrated as far as possible on long haul "low cost" goods traffic, coal, cement, food-grains, etc., preferably in full train loads, leaving local distribution to the motor vehicle, considerable economies might be effected in railway working. The Committee feel these suggestions might be considered by the Railway Board and the Government of India.

The railways are taking steps in the right direction

50.3. The railways have recently introduced "telescopic" rates on continuous mileages the effect of which is to reduce the return per ton-mile at the longer distances. In addition, they levy "short-distance charges" for traffic hauls for 75 miles or less and apply a minimum distance charge of 20 miles. In the opinion of the Committee these are steps in the right direction. Further steps tending to discourage the movement of "smalls" over short hauls and encouraging the movement of full train loads of goods over long distances (traffic for which the railway is best suited) would leave local distribution and collection to the motor vehicle and would ultimately tend to build up local road feeder services from which the railways would also benefit and the public generally. The question of closing down small stations in the vicinity of large centres thus forcing short-lead traffic on to the roads might also be considered.

CHAPTER IV—OTHER COGNATE MATTERS

Scope of Chapter IV

51. The Committee deal in this chapter with several miscellaneous questions that are relevant to the object of their enquiry but do not easily fall within the scope of the other chapters of this report. For example, some of the recently imposed enhancements in the customs tariff on motor vehicles are protective in object (though perhaps not necessarily in effect), and their imposition has had a marked influence on the provision of cheap transport. This is therefore a matter to be considered by the Committee. Again, there are some seventy lakhs bullock carts in India and, perhaps, ten per cent. of these are operating as public carriers. This latter class of carts does much damage to the roads but is not generally taxed. Among other miscellaneous questions requiring an answer are whether the existing taxes are levied and collected in a manner simple, methodical, and convenient to the taxpayer; what motor vehicle statistics should be kept; what regulation in respect to weights of motor vehicles, should be enforced; and how the construction, and maintenance of city roads should be financed.

Protection of the Indian motor vehicle manufacturing industry

52.1. The policy of the Central government is to establish a motor vehicle manufacturing industry in India as soon as possible and this policy is being implemented at present by the imposition of protective tariffs. The Committee have referred in paragraphs 16 and 17 above to the complaints they heard that the new tariffs were doing more harm than good. As this question is under examination by a separate committee and is to be referred to the Tariff Board, it would be out of place for the present Committee to make any detailed recommendations. On the other hand, the Committee are vitally interested because high tariffs (as high as 90 per cent. in some cases) and cheap transport do not go together.

The entire burden of which is falling on the motor vehicle user

52.2. The Committee are also concerned with the question whether the motor vehicle user alone or the general taxpayer should be called upon to pay the entire cost of protecting the new industry. To the extent to which the motor vehicle user in India (already probably the highest taxed in the world) is made to pay protective tariffs, he obviously cannot pay for the proper upkeep of roads. The present condition of the roads in India is referred to in a subsequent chapter of this report and, in the opinion of the committee, unless more funds can be found for road maintenance and development, there will be little development of motor transport and hence there will only be a small market for the Indian motor vehicle manufacturing industry when it is at length established. The Committee noted that putative manufacturers were already complaining that the Indian market was too small to permit them to adopt mass-production methods in the manufacture of motor vehicles and so produce such vehicles at costs comparable with those prevailing in the world markets.

The new industry would be better

53.1. The Committee would urge, for the reasons explained in more detail in Chapter VII of this report, that the general taxpayer and not the motor vehicle user alone should bear the cost of establishing a motor vehicle manufacturing industry in India. This would mean

helped by subsidies.

aiding the new industry by subsidies rather than by protective tariffs or by the method described by the Fiscal Commission of 1949-50 as "pooling", that is, by combining subsidies and tariffs. It is obvious that if a protective tariff is sufficiently high to serve its purpose of protecting an indigenous industry (and there has already been talk of a tariff of 200 or 300 per cent), it will stop imports altogether and so produce no revenue. On the other hand, at least Rs. 30 crores a year are required at the present time for the proper upkeep and development of the roads and revenue to finance this must be found somehow if there is not to be a severe set-back to the general economic development of the country and so also to the development of the motor vehicle manufacturing industry. Experience in India, (for example, the protective duties of the past on sugar, etc.) as well as in other countries imposing protective tariffs has not been altogether happy. The following quotation from "Public Finance" by A. E. Buehler is interesting in this connexion:—

> "It has been argued frequently in the past that protective tariffs should be levied on imports so that infant industries will not be ruined by foreign competition and that after a time these new industries will become firmly established.....There would be no serious objection to the use of tariffs for this purpose but the experience of the U.S.A. and other countries amply demonstrates that the baby industries may never grow up....."

The virtues of subsidies

53.2. The virtues of subsidies are, firstly, that the nation knows exactly how much is being spent in the process of aiding the growth of a new industry; secondly, that at the time of voting the yearly grants in Parliament, the position can be reviewed and it can be decided whether the industry is really developing as it should; and lastly, that subsidies give the industries themselves a yardstick with which to measure the efficiency of their operations, for, if they have to ask for higher and higher subsidies year after year, it will be an indication that there is some maladjustment in their methods that requires examination. The prohibitive protective duty at present advocated provides on the other hand no yardstick to the industry itself and leaves the public ignorant of the cost to the nation of building up the new industry and ignorant whether the new industry is efficient, or will ever be efficient *i.e.*, in the words of the author quoted in the previous paragraph, whether the baby industry will "ever grow up".

Objections to subsidies.

53.3. It was argued before the Committee by one manufacturing interest that manufacturers objected to subsidies because these would entail examination of their books by government and this in turn would lead to an elaborate accounting system that would be wasteful in itself and harmful to the development of the industry. The Committee, however, were not impressed by this argument. They feel that any industry seeking State aid must be prepared to subject all its transactions to government scrutiny. The Fiscal Commission of 1949-50 has also pointed out that there are administrative and political difficulties in giving subsidies although they said "the economic advantages of subsidies as distinct from tariffs are recognised". On the other hand, certain manufacturers appearing before the Committee said they would welcome subsidies as they felt confident that with a little help they would soon be able to compete with imported goods carrying the "normal" tariff burden of 30 per cent or so.

The cost whether met by subsidies or protective tariffs will be high.

53.4. As there are very few manufacturers with sufficient capital and resources to enter into the motor vehicle manufacturing industry, there should be no insurmountable administrative difficulty in granting subsidies. Political difficulties, if any, cannot be discussed by the Committee. The subsidies could be partly paid for, as suggested by the "Informal Committee on the Australian Tariff" (quoted by the Indian Fiscal Commission of 1949-50) by earmarking some of the revenue obtained from protection for payment of the subsidies. It is evident, however, that whether high protective tariffs are adopted or subsidies given, the cost of establishing the new industry will be high. In the former case only one class of taxpayer, the already heavily taxed motor vehicle user, will foot the bill and will not therefore be in a position to pay "rent" (see paragraph 131.2) for the road he uses, while in the latter, the burden will be more generally shared and the use of motor vehicles will not be unwisely discouraged.

Assembly plants.

54. Some members of the Committee were privileged to visit a few motor vehicle assembly plants. While they were impressed by the enterprise shown and by the good work being done, they could not help feeling that too many firms had been permitted to set up in this business. There are at present twelve such concerns (details given in Appendix XVI) and their capacity for assembling motor vehicles is 80,000 a year while an optimistic estimate of the current market in India is 35,000 motor vehicles a year and the indications are that at the present price levels the market will be lower in the near future. Also, not all the vehicles for which there is a market demand are of the kind that can be assembled in India. The Committee noted that at present the plants inspected were working only to a fraction of their capacity and many of these assembly plants would apparently continue to work to a fraction of their capacity, or be closed down altogether, when the industry itself was ready to manufacture, rather than merely assemble, the 100 per cent Indian car. The Committee understand that more than nine crores of rupees have been invested already in these undertakings and more money is still being invested. Without a rationalisation of production, much of this investment appears unwise. In the end it is the taxpayer who foots the bill for undertakings that do not pay their way or the investing public who lose their money and in both cases this is harmful to the national economy. The Committee is concerned since waste of resources in this way does not make for cheap transport.

Diesel Engines.

55. Closely linked with the question of fostering the development of a motor vehicle manufacturing industry in India is the policy to be directed towards diesel engines. The evidence presented before the Committee showed that diesel engines in transport vehicles were at present successful only in the hands of operators who had adequate facilities for maintaining large fleets. The diesel-engined vehicle is not therefore likely very soon to oust the petrol-engined vehicle at the hands of small operators. On the other hand, representatives of one manufacturing concern went so far as to suggest to the Committee that permission to import and operate diesel engines would sound the death-knell of the petrol-engined vehicle manufacturing industry they were endeavouring to establish. The Committee were not able to accept this contention as it implied that the Indian made petrol-engined vehicle would not be able to hold its own against the diesel-engined vehicle (which could also be manufactured in India in due course) while in the rest of the world the petrol engine was still holding its own over most of the field. To ban the diesel engine entirely

as was advocated would be a retrograde step since it would mean employing a petrol engine in many cases where a diesel engine was more suitable. Elsewhere in this report, the Committee have recommended the imposition of special taxes on diesel-engined vehicles but these taxes have been suggested only because the Committee have not recommended taxing diesel oil in the same way as petrol is taxed.

Taxation of bullock carts.

56.1. Many witnesses in their oral as well as written evidence expressed the view that while motor vehicles were being taxed excessively, other users of the road, particularly bullock carts, were being inadequately taxed or were escaping taxation altogether. It was alleged that the iron-tyred bullock cart did more damage to the road than the motor vehicle. Many witnesses considered that these carts could and should be taxed at an equitable rate. On the other hand it was argued that since the bullock cart users were mostly agriculturists and since in most States the agriculturists were already paying a "road cess" on their land revenue payments, there was no justification for taxing this class further.

The cultivators' cart should not be separately taxed.

56.2. The Committee accepted that the ordinary cart used by the cultivator (perhaps 90 per cent of the total number in India) did not travel much on the roads at present. The cart itself is usually very light and cannot take heavy loads. It is used on a few days in the year by the cultivator to take manure to his field, to bring in firewood and such stores to his home, and to carry his harvest to the threshing floors and store godowns or to the local market. It is also used occasionally to take the cultivator and his family to fairs, on pilgrimages, and to the larger markets. The cart in this case is a vehicle used "on own account" and corresponds to the motor lorry used as a "private carrier" (paragraph 38.4). The Committee recommend that no special tax should be levied on cultivators' carts used on "own account", such taxes as are due being confined as at present to a road cess on the land revenue paid by the cultivator. To attempt to tax more than six million such carts individually would be administratively difficult, the cost of collection would be disproportionate, there would be room for considerable abuses and the exercise of petty tyranny by village officials, and the tax would be vexatious to the cultivator in his present stage of development as it would burden him with number-plates or tax-tokens and the necessity to make reports and returns etc. Also the yield would be small as the incidence of the tax would have to be light. On every count, it would be better to tax this class of user by levying a small road cess on the land revenue he pays. This question is referred to again in paragraph 142.2 below.

But taxation of carts used as public carriers recommended.

56.3. The professional cartman who acts as a public carrier (paragraph 38.4) or the owner or user of carts who transports goods in bulk (not being a small cultivator transporting the produce of his own fields) comes into a different category. The carts used for this purpose are generally heavy and strongly built, they carry considerable loads (up to two tons and more in some areas), and they do much damage to the roads. The Committee were informed that in some areas, especially in the larger towns, the owners of these carts made considerable profits yet did not pay any tax, or only nominal taxes. Such carts number between 700,000 and a million but the number of owners is much less since, again especially in the larger towns, individuals generally called "chowdhries" often own large fleets. In Delhi these carts can earn between Rs. 5/- and Rs. 10/- or more a day

at the present time and the owners can well afford to pay much higher taxes than they are doing. There is also a cart, generally called a "thela", drawn and pushed by men, which is used for taking heavy goods from railway stations to godowns and for such purposes. The number of these "thelas" is very large in some centres (22,500 were counted crossing the Howrah bridge in one week when a traffic survey was made in May 1948) and they earn considerable profits for their owners. Near railway stations or port areas these heavy, iron-tyred thelas have been found to wear deep ruts into even cement concrete roads.

Use of rubber tyres to be encouraged.

56.4. It would be of great advantage if the carts and thelas described above were fitted with rubber-tyred instead of iron-tyred wheels, for this would not only decrease the damage done by these vehicles to the roads but, in areas where there are no steep gradients, it would lead to a great reduction in the tractive effort required to move the vehicles. The Committee recommend that the using of rubber tyred wheels on carts used as public carriers and for the bulk movement of goods in and near large centres of population should be encouraged by giving a rebate in taxation, the extent of the rebate being at least equivalent to the estimated extra annual cost of using rubber tyres. The ordinary tax on carts used for carrying goods in bulk (other than the carriage of produce from his own fields by the small cultivator) should be fixed after a study of local conditions in each case. The Committee are of the opinion that a local tax of Rs. 60/- a year will be found not excessive in most cases and that much higher taxes can be levied in some large centres. It will be necessary to issue number plates to these vehicles and register them but as the taxes will mostly be collected in the towns, this should not be difficult. As a general principle, the Committee recommend that carts operating solely in rural areas should not be individually taxed.

Municipal roads.

57.1. Some representatives of the larger municipalities and cities appearing before the Committee contended that since they had to maintain roads for the use of motor vehicles, they should be permitted to tax the users of these vehicles. In the bigger urban areas they claimed most of the motor vehicles in fact operated almost entirely within the municipal or city boundaries and it did not seem reasonable to them that they should be precluded from taxing the users of these vehicles while this source of revenue was taken full advantage of by the Central and State Governments who provided in this case little or nothing in the way of road services in return. These arguments do not take into account the fact that urban areas cannot exist independently but rely on the surrounding country for their food and their trade, in fact, for their entire economic development. The arguments also do not take into account that primarily the function of urban roads and streets is to provide access to property. If the "benefit principle" were applied in any particular case, it would probably be found on analysis that the property owners, considered as a whole, in the urban areas under consideration were the main and almost only beneficiaries from roads and streets. It is a fact that the larger the urban area, the smaller is the proportion of "through" motor vehicle traffic. In a survey recently undertaken in the United States of America in a very large number of urban areas, it was found that "through" traffic amounted to less than 5 per cent of the total traffic moving within these areas.

Give access to property

57.2 At the present time, the State governments in most States in India maintain all, or most of, the main roads running through

and should be paid for by property owners.

villages and the smaller urban areas and, in all the cases examined by the Committee, it was found that the State government concerned was paying in the shape of upkeep of roads in urban areas proportionately more than would be due if the government were responsible for the service of "through" traffic only. In the view of the Committee, as discussed in more detail in the next paragraph, local authorities should not be permitted to tax motor vehicles. Support to this view is given by the fact that in most advanced countries the main or only taxes on motor vehicles are collected by the government concerned rather than by the local authority. The Committee deal with this question in Chapter VIII of this report and make recommendations on the question of aid to be given to local authorities when such aid is justified. The Committee, however, feel that as a matter of convenience there would be no objection to local authorities taxing vehicles other than motor vehicles. When assessing the aid to be given to local authorities, the State governments should take into account whether or not the local authority was taking full advantage of its general powers to levy taxes as well as its power to tax vehicles other than motor vehicles.

Local taxes on the motor vehicle user as such should be abolished.

57.3. The wheel tax levied by some corporations and municipalities brings in considerable revenue and it may take some time to make adjustments if this tax is abolished. Nevertheless, the committee consider the wheel tax on motor vehicles should be abolished as soon as possible. The Committee discuss the reasons for this recommendation at some length in Chapter II (paragraphs 28 to 31) and Chapter VII (paragraph 128) of this report. Similarly all local taxes on motor vehicles and the commodities required for their maintenance and use should be abolished.

Size of bus fleets.

58.1. A matter relevant to the Committee's enquiry that came to notice on several occasions while they were taking oral evidence was the size of fleet required for the operation of a cheap and efficient bus service. Some witnesses put the minimum strength of an efficient fleet at as low a figure as ten, but the concensus of opinion, including that of the more experienced operators, was that a fleet of fewer than about twenty buses would not be economical to run at the present time. Among the reasons advanced for this opinion, mention may be made of the following:—

(1) It was not economical for the average operator to maintain workshop facilities for a smaller fleet than one of about twenty buses while, as was the case at present, the general-purpose motor vehicle workshop and garages were not sufficiently numerous, well equipped, or specialized in bus work to give cheap, quick, and efficient service to the bus operator.

(2) With a fleet of fewer than about twenty buses, an operator would find it uneconomical to maintain a reserve for possible breakdowns of buses on the road so that his passengers might not be put to considerable inconvenience, and

(3) Operators with small fleets could not take advantage at the present time of modern facilities—regular rotational servicing, reclaiming of dirty lubricating oil; retreading of tyres; etc; and they could not afford to employ one

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or more highly skilled technicians to keep their engines in tune and thus save on fuel consumption (an item amounting to well over one-third of operating costs), or carry large stocks of spare parts for replacements, or maintain operational statistics in such a way as to enable them to detect losses and inefficiency immediately on occurrence.

On the other hand many States had multiplied cases of individual ownership for the reasons given in paragraph 58.3 below.

58.2 In this connexion the history of bus operation in one State was studied by the Committee. The Table below indicates that during the last 5 or 6 years, the recognition of the operation of economic laws has eliminated to a large extent the small fleet operator. Any action taken to reverse this process would be going against the lessons of experience.

Governed by economic laws.

TABLE—11

Decline of single bus owner and small fleet operator.

Number of vehicles owned	Number of such owners in		Remarks
	1942-43	1947-48	
1	406	26*	* Single bus owners reduced from 406 to 26.
2	148	48	
3	61	35	
4	44	14	
5—9	132	41	
10—14 . . .	33	17	
15—19 . . .	10	20**	** Increase in numbers presumably because of increase in operating efficiency.
20—24 . . .	15	49	
25—49 . . .	19	57	
50—70 . . .	5	9	
75—99 . . .	0	2	
100 & over . . .	0	1	

58.3. The Committee were interested in this question as they understood directions had been given (perhaps illegally, vide **Appendix XIV**) in more than one State to the Transport Authorities to issue permits to single bus operators only or to owners of small fleets in

Control a matter for the Transport Authorities

preferance to the big operators. The Committee understand the object of these instructions in many cases was to help with the resettlement of displaced persons from Pakistan or persons displaced from their normal employment by the operation of the recent prohibition laws, although other reasons might have been dislike of the big operators or a desire to dispense political patronage. The Committee consider that the discretion of the Transport Authorities should not have been fettered, if this was ever done. These Authorities are charged under the Motor Vehicles Act of 1939 with responsibility for protecting the interests of the public generally and securing adequate, cheap, and efficient transport services. They are specifically required when considering the issue of permits to bus operators [Section 47(1) (e)] to take into account whether an applicant is operating remunerative routes in conjunction with unremunerative routes and this requirement tends to tip the scales in favour of the bigger operators.

Who may be trusted to use their discretion properly.

58.4. The Transport Authorities would not be insensible to the problems presented by the presence of large numbers of displaced persons and they could require applicants from among such persons to form themselves into co-operative unions to run fleets of economic size over remunerative as well as unremunerative routes if they considered the formation of such fleets was in the public interest. The Committee learnt that such unions had indeed been formed in some States and were operating satisfactorily. The Transport Authorities could, on the other hand, be trusted not to dispense unfair patronage on their own account because appeal would always lie against their decisions and ultimate appeal to a quasi-judicial or other independent authority, if the recommendations of the Committee made in Chapter VII, paragraph 119.3(3) are accepted. The Committee consider that, as has been recognised in the older democracies of the United Kingdom and the United States of America, political control of transport and the provision of cheap adequate and efficient transport (so necessary for the economic well-being of the nation) cannot go together.

Association of remunerative and unremunerative bus service routes.

59.1. Mention has been made in a previous paragraph (44.3) of complaints heard by the Committee that State undertakings were in some cases operating on remunerative routes only and leaving the less remunerative routes to private enterprise. The Committee have recommended that State governments should encourage the development of what they have called "cross traffic" routes (paragraph 45.2) by fixing higher maximum fares on these routes and by other means. The fares, however, may be so high as not to attract all potentially available traffic and the Committee note in this connection that, although the maximum permissible bus fare in Madras is 7 pies a mile, many operators found a fall in their takings when they charged this fare and so are now charging 6 pies and 6½ pies a mile. (In this connexion attention is also called to the observation of the Committee recorded in paragraph 44.8 above).

59.2. The Committee have no means of ascertaining whether the fares of 9 pies and 8 pies a mile charged by the Bombay monopolistic State Service are acting so as to deny bus-transport services to any large section of the community. As a general principle the Committee would, however, suggest for the consideration of State governments that they always consult the State Transport Authorities as provided in the Motor Vehicles Act of 1939 (Section 43) before

fixing maximum fares, having regard to the fact that these Authorities are specifically required (as mentioned in the previous paragraph) to take into consideration the question of running bus services on remunerative and unremunerative routes in conjuction with one another. In making this suggestion, the Committee do not wish to imply that State governments have not in the past been in the habit of consulting their transport authorities as they have no evidence in the matter but there is certainly evidence, as clearly indicated in more than one High Court judgement, that some State governments have been giving directions to their State Transport Authorities in matters legally within the competence of those Authorities and not treating the Authorities as statutory, independent entities.

Methods of collecting taxes not always convenient to the taxpayer.

60.1. The Committee heard a good deal of evidence relating to the inconvenience the taxpayer was put to, mostly on account of delays, when paying his motor vehicle fees and taxes. In some States these taxes can only be paid in the form of revenue stamps. One would think that the purchase of the required value of stamps from a stamp vendor would be a simple operation taking a few minutes at most but witnesses said it took hours and sometimes even days—three or four days was said to be common in one State. In other States these taxes must be paid by means of treasury "challans" and in this case also it is said it usually takes hours and even days to obtain a treasury challan. In some big centres the authorities have taken great pains to simplify the procedure of paying taxes and obtaining licences, etc. Offices have been built, duly installed with special serving counters and queue barriers etc. Complaints were fewer where such facilities existed but even so it appeared there were still serious delays.

Delays, the chief cause of complaint.

60.2. In some States (as in Delhi) it is impossible for an owner wishing to do so to get a car licence for a year, so that payment has to be made every quarter although it would save the time of the car owners (and of the government staff concerned) if payment were made once instead of four times a year. Owners often have to come long distances to tax-paying centres and in this case the delays that occur in completing the payment transaction is doubly vexatious and detrimental to the interests of the taxpayer. The Committee found that the authorities concerned appeared to be generally unaware that there was any, or much, cause for complaint in most cases.

Remedies suggested.

60.3. It is learnt that there were accounting and other difficulties which prohibited the acceptance of cash or cheques in payment of fees or taxes and that there were objections to extending the time over which fees and taxes could be paid or of permitting advance payment much before the due date or long after that date. In the United Kingdom it is said motor vehicle taxes can be paid in designated post offices all over the country and the whole transaction takes a few minutes at most. The Committee recommend that State governments should study the procedure adopted in the United Kingdom and the Central government should permit designated post offices to collect these taxes, on a nominal commission basis if necessary, so that the taxpayers need only go to the nearest money-order post office instead of to a taxing centre many miles away. Alternatively, the State taxing authorities may be permitted to accept "crossed" postal orders.

Other difficulties.

61. The Committee also heard complaints about the time it took to inspect commercial vehicles for their certificates of fitness. The usual routine inspection takes the vehicle off the road for at least one day but complaints were heard that vehicles were sometimes off the road for days on end waiting for inspection. Sometimes vehicles had to be brought long distances to the inspection centre to join a long queue of vehicles waiting inspection and there were occasions when all buses, cabs, and trucks in a locality were simultaneously off the road waiting for inspection. The Committee noted that the authorities concerned were doing their best to remedy such of these defects as came to their knowledge. The shortage of inspecting and tax-collecting staff should be made good by State governments as soon as possible, fees being increased, if necessary, to pay the cost of employing adequate staff (see also paragraph 129). The Committee believe higher fees would be much more acceptable to motorists than the delays they often experience at present. It should also be possible to inspect after overhaul the buses and lorries of fleet operators in their own premises instead of pulling them off the road for inspection. The Committee further suggest that wherever possible mechanical appliances which are now available in the market for carrying out such tests should be used in the interests of time-saving and efficiency.

Weights of vehicles.

62. The Committee heard complaints on the limitations imposed by the Public Works Departments of some States on the permissible maximum laden weight of goods vehicles operating over large areas in those States and how in many cases these limitations in weights were being circumvented, providing opportunity for corruption. That these complaints may not be wholly unjustified is evident from the wide divergences between the practices of States in this matter. The gross load prescribed by States varies from 3½ tons to 8 tons. Part of this divergence doubtless arises from the differing capacity of roads but this alone cannot be the whole explanation. It may be these wide differences in practice arise from the fact that there is no generally accepted formula for determining the carrying capacities of existing roads and bridges in relation to axle loads and consequently some State authorities have been rather cautious in the matter of fixing permissible loads. The Committee recommend that this question be studied by the road engineers of the Centre and the States in conference with a view to establishing agreed all India standards.

Transport Statistics

Statistics in the United Kingdom and the United States of America.

63.1. In their questionnaire the Committee asked for opinions on what statistics operators of public transport should be required to submit to government. No definite suggestions were made in reply, most of those answering the question at all having confined themselves to remarking that the statistics being maintained at present were in their view sufficient. The Road Traffic Acts in the U.K. as also the Road and Rail Traffic Act of 1933 make it obligatory on operators of public service vehicles to "keep such accounts and records.....and to make to the Minister such financial and statistical returns, and in such manner and at such times as the Minister may from time to time require". Heavy penalties are prescribed for those failing to comply with this requirement. The statutory obligations with respect to goods vehicles are more explicit.

The following is a quotation from the Road and Rail Traffic Act of 1933:—

> "16 (1)(b) As respects every journey of a vehicle on which goods are carried under the licence, particulars of the journey and of the greatest weight of goods carried by the vehicle at any one time during the period to which the record relates and the description and designation of the goods carried".

The Interstate Commerce Commission in the United States of America require, under the authority of Section 220 of the Interstate Commerce Act, the larger common and contract motor carriers to file quarterly and annual reports, and in the case of passenger carriers, monthly reports, of a somewhat elaborate nature. These carriers, listed as Class I carriers, collect 57·33 per cent. of the total carrier revenue among all goods carriers and 79.12 per cent among all passenger carriers.

And in India.

63.2. The Indian Motor Vehicles Act does not make any specific provision for the collection of statistics but considerable latitude is given to the Transport Authorities to lay down conditions for the grant of permits and the Act permits State governments to make rules with respect to "the records to be maintained and the returns to be furnished by the owners of transport vehicles". The Committee found there was no great uniformity in the matter of collecting statistics in the various States. Some Regional Transport Authorities require public service vehicle operators to maintain log books in which the basic particulars of vehicle operation are to be logged. These particulars include, for passenger vehicles, information on routes and trips and, for goods vehicles, distance travelled, petrol consumed, nature of goods carried, and earnings. The question of utilizing the statistics collected, however, does not appear to have been very carefully studied in any State.

Recommendations

63.3. It would be somewhat beyond the province of the Committee to make detailed recommendations in this matter. Also, in States where no statistics have been kept in the past, it might be found desirable to collect only simple information at first and to ask for more detailed statistics when the habit of maintaining proper records had been instilled among operators. In view, however, of the importance of collecting adequate statistics on the operation of public service vehicles, not only for the purpose of giving the Central and State governments a knowledge of the motor transport industry and the goods and passengers carried but in the interests of the operators themselves and for the purpose of enforcing regulations properly, the Committee recommend that the question be studied by the Transport Advisory Council and some general direction be given on the basis of which the State governments may be in a position to frame rules "on the records to be maintained and the returns to be furnished" by operators. The Committee feel that, as in the United States of America, the statistics should ultimately show, besides the ordinary vehicle-mile and other operational particulars, the assets of the operators, their operating revenues, liabilities, equipment, operation and maintenance expenses, and all other income and expenses—at least in the case of the larger operators. The important question of compiling and using the statistics after they are collected would also have to be studied. Some suggestions made by the Committee are contained in **Appendix XIX.**

CHAPTER V—THE PRESENT POSITION IN RESPECT TO ROAD MAINTENANCE AND DEVELOPMENT IN INDIA

Scope of Chapter V.

64. Under their terms of reference, the Committee were required to recommend the principles under which "*any part of the proceeds of the taxation of motor vehicle users by the Union and State Governments and Local Authorities should be made available for road maintenance and development*". In this chapter the Committee propose to exmaine as briefly as possible the present position with respect to road maintenance and development in India, the sources from which road maintenance and development are at present financed, and the adequacy of these sources to meet the road transport needs of the country.

Indian roads in the past.

65.1. In their report, the Indian Road Development Committee of 1927-28 (see paragraph 12 above) mentioned that roads and wheeled-vehicles in India had been referred to frequently from the times of the earliest historical records. Good roads, easy communications, necessarily go with civilization and civilized administration; and Indian civilization goes back to not less than five thousand years. Excavations of cities that existed between 3500 and 2500 B.C. have revealed broad streets and roomy, well-built houses. A miniature two-wheeled cart fashioned in copper was found in one of the excavations and is probably among the oldest representations of a wheeled-vehicle in the world. The epics make frequent mention of roads and highways, but, coming to actual history, it is mentioned that in the reign of Chandra Gupta (322-298 B.C.) a road 10,000 stadia in length (1150 miles) connected the north-western frontiers of India with the capital at Pataliputra, the modern Patna. Strabo, the Roman geographer, (died about A.D. 21) mentions that the Greek astronomer, Eratosthenes, (who, incidentally, was the first known man to measure the size of the earth) computed (about 250 B.C.) the length of India from east to west from the register of stages on this royal road.

65.2. There is a reference to roads in one of the rock edicts of Asoka (273-232 B.C.); the first Chinese traveller of whom there is record talks of the roads and rest-houses existing in the 5th century A.D.; the great Chinese pilgrim, Hiuen Tsang, similarly mentions the roads of India but complains of being robbed several times by bandits while travelling along them; the histories of the Pathan and Moghul periods in India show that considerable attention was paid to road building in the country in those times; and the early records of the British period show that many road works of great magnitude were undertaken in India before the advent of railways.

The advent of the railway.

66.1. When they first came to India, the railways, providing as they did means of cheap and rapid transport on a scale hitherto undreamt of, received the first consideration of the government, as they did in all countries at that time. Traffic on the main trunk roads decreased in volume and the roads themselves, especially those parallel to the railways, were much less used than formerly and were therefore generally allowed to go out of repair. There was, however, a considerable increase in metalled feeder roads to the railways.

Resulted generally in devolution of responsibility for roads to local bodies.

66.2. The outcome of the lack of interest of the Government of India in the trunk roads was that all roads came more and more to be regarded as of local importance only and, in the final result, responsibility for roads was transferred, in 1919, to the then provincial governments, who in turn placed the greater part of the road mileage in charge of local bodies.

The advent of the motor vehicle.

67.1. About the time that devolution of responsibility for roads took place in India (1919) there was a great revolution in the transport system. World War I had ended and surplus military vehicles soon found their way in large numbers on to the roads. The bullock cart, however, continued to hold its own for short-distance goods transport, the motor vehicle finding a place for itself in filling the demand for passenger transport over fairly long distances and goods transport beyond the economic range of the bullock cart. Private cars also became fairly common but were early classed as luxuries and their widespread adoption in a poor country like India was increasingly restricted in the following years owing to the growing weight of taxation.

Called for a reversal of the devolutionary process.

67.2. It was soon found that the action of the narrow tyred, traditional bullock cart wheel combined with that of the fast moving pneumatic tyre led to early disintegration of the predominant, water-bound macadam surfaces of the more heavily trafficked roads. The cost of maintaining these roads increased enormously and the local bodies (and also the provincial governments) began to find themselves unable to cope with the situation with the financial resources available to them. Public opinion led to the appointment of a Road Development Committee (1927-28) which found that "road development in India is passing beyond the financial capacity of provincial governments and local bodies and is becoming a national interest which may, to some extent, be a proper charge on Central revenues". The Committee added as a rider that "road development, in so far as it contributes to the general welfare of the country as a whole, is a proper charge on general revenues....."

Leading first to a Central tax for road development.

67.3. Mention has been made (paragraph 12 above) of the two anna tax on motor spirit (subsequently raised to two and a half annas), that was imposed as a result of the recommendations of the Road Development Committee, the proceeds of which were credited to a "non-lapsing" Road Fund. The yield from this tax, even when first levied (1929-30), was pitifully small being about one seventh of the total expenditure on extra-municipal roads and the proportion has since decreased till it is now only about one-tenth of the corresponding total expenditure. At the time the Road Development Committee submitted its report, the Centre had reduced its previous import duties on motor vehicels, tyres, and motor spirit (paragraph 10.4 and last sentence of paragraph 10.3 above) by amounts varying from 32 to 50 per cent. and the Committee urged the then provincial governments to take that opportunity to explore motor vehicle taxation as "a source of revenue for road development". Since then the effect of Central taxes like customs and excise on the motor vehicle user has increased enormously (but without a corresponding increase of Central expenditure on roads) while the State governments have long taxed the motor vehicle user (some very heavily) but at the same time have in nearly every case increased their expenditure on roads in greater proportion.

And later to accept-

67.4. The feeling that the Centre should accept greater responsibility for roads ultimately led to the calling of a Conference of the

Chief Engineers of the Provinces and the larger States. This Conference met in Nagpur in 1943 and the report then issued, which came to be known as the *Nagpur Report*, propounded for the first time a road plan for India and assigned responsibility for certain arterial roads (called national highways) to the Centre. The Chief Engineers, being by the nature of their calling practical men, did not confine themselves to their terms of reference (they were told to plan "undeterred by financial considerations", a directive that obviously gave some offence) but stated they were conscious throughout their deliberations of the obvious limitations of finance and claimed their plan would provide India with such reasonable road transport facilities for the next twenty years as were not beyond the financial capacity of the country "having regard to the direct and indirect revenue receipts that would follow from a development of the road communication system . . . . . " The Conference also advised on how their plan should be financed and administered. Many of their recommendations were accepted by the Central and Provincial (States) governments and national highways are now a Central subject in the Constitution of India.

ance of Central responsibility for national highways.

68.1. India has an area of some one and a quarter million square miles and a population of over 350 millions. To serve this area and population, there are at present only 33,861 route miles of railway and 244,991 miles of extra-municipal roads, of which 91,424 miles are surfaced and 153,567 unsurfaced. Per square mile of area, India has about the same route mileage of railway and the same mileage of road as South Africa but if population is taken into account, the incidence of these transport facilities in India is only about one-tenth of what it is in South Africa. Relative to other countries of comparable size, the U.S.A., Canada, and Australia, the Indian deficiency in roads is very much greater but the railway route mileage deficiency is also great. The general trend in the countries mentioned, however, is towards a decrease in the railway route mileage (the United States of America reduced their railway route-mileage by as much as 26,149 in the period 1940 to 1945).

Comparison with some other countries : road milages. .

68.2. The value placed in India on road transport in the past, and even at the present time, measured by the percentage of the total revenue of the country spent on roads has been, and is still, much lower than that of the more advanced countries. Generally, the States may be said to be spending a fair proportion of their revenues on roads but the Centre, which has under the Constitution no direct responsibility for roads outside Centrally Administered Areas, has not assumed a wider responsibility for supporting road development in the country in anything like the same proportion to the revenues it has indirectly collected from the road user. Because of the heavy Central taxes levied on this class of taxpayer, it is almost a universal criticism that very little margin has been left to the States to obtain revenue from this source. Graphs nos: 2 to 5 on pages 16 and 17 illustrate clearly how the Centre takes the lion's share of these taxes.

And road expenditure.

Central Expenditure on Roads

69.1. Until recently, the main Central expenditure on roads has been through the Central Road Fund (See paragraph 135 below).

Expenditu from the

Central Road Fund.

Although this fund has always been relatively small, the achievements attained have been significant, no fewer than 382 new bridges and causeways in the States having been built since the fund was created, and some 1250 miles of modern surfaced roads, 1500 miles of fair weather roads, and 2200 miles of road reconditioning, completed. The planned progress achieved is claimed to have been largely due to the non-lapsing nature of the fund.

Expenditure on national highways.

69.2. The Centre assumed financial responsibility for the national highways early in 1947 and so far 242 projects have been sanctioned estimated to cost Rs. 851 lakhs of which about Rs. 390 lakhs had been spent by March 1950. Work on sanctioned projects, however, has, it is reported, been recently slowed down because of budget cuts and very few new projects are being sanctioned. Similarly, the allotments for national highway maintenance (on which some Rs. 663 lakhs had been spent by March 1950) was claimed by witnesses to be now less than required for the proper upkeep of these roads.

Other Central expenditure on roads.

69.3. Expenditure on roads in the Part C States will be shown in the Central budget with effect from the current financial year. This is, however, not correctly classifiable as Central expenditure in the context of the Committee's enquiry but as States expenditure administered by the Centre. For the rest, the Centre has certain road obligations in connection with defence, external affairs, tribal areas, and other Central subjects but such expenditure is, in accordance with normal budgeting practice in India and many other countries, debitable to the budgets of the Ministries concerned as it does not relate to roads built or maintained for general purposes.

State Expenditure on Roads

The States have no fund of the nature of the Central Road Fund.

70.1. States generally have no "non-lapsing" road funds of the nature of the Central Road Fund and most of their expenditure on roads is dependent on the provisions that can be made in their annual budgets. The demands on these budgets for welfare and other objects are apt to fluctuate violently from year to year depending on government policy so that the allotments provided for roads tend to fluctuate equally violently. As a consequence, planned road development in the States is difficult of achievement and road projects are apt to be started and abandoned or their progress slowed down considerably for long periods followed by periods of intense road development activity and the starting up of fresh projects—all depending on the vicissitudes of current political philosophy.

Expenditure chargeable to "Block Grants".

70.2. In the three year period from the 1st of April 1947 to the 31st of March 1950, the Centre made available to the States certain "Block Grants", generally on a matching basis, for expenditure on development projects. All work from this source has now come to a standstill owing to the budget difficulties being experienced at present both by the Centre and by the States. An examination of the expenditure incurred on roads from these matched block grants in the three year period referred to above indicates a progress of about 16 per cent. of the total planned expenditure for 5 years and now, many road works all over the country have been abandoned in an incomplete state.

Expenditure from States' Revenues.

70.3. By far the greater part of the funds made available for roads in the States' ordinary budgets are utilised on maintenance and repairs. With the growth of motor traffic (which has doubled since

before the war) and the ever increasing wages of labour, the cost of road maintenance to pre-war standard appears to be in danger of passing beyond the competence of some of the State governments judging from the complaints received by the Committee. The difficulty in many cases is that the pre-war waterbound macadam surfaces are no longer capable of carrying the heavier traffic of the present day while capital is not available (nor is there any general plan) to provide improved surfaces where required. The efforts made by the State governments to maintain many of the existing poorer-type surfaces even to a low standard has led to heavy expenditure (in frequent renewals of surfaces) which they would have been saved had they been in a position to take up a planned programme of surface improvement.

Upgrading of road surfaces required.

71.1. The Committee have called special attention in the previous paragraph to the need, even regarded as an economy measure, for executing a planned programme of surface-upgrading of some of the more heavily trafficked roads in many States because this question is relevant to the recommendations they are to make under item 2(c) of their terms of reference. It would be out of place for the Committee to discuss in this report the technicalities of road maintenance and road economics and they therefore confine themselves to mentioning that the problem here discussed is not new and that it has been solved locally on more than one occasion in India in the past. The following quotation from the rather highly technical report of the Mitchell-Kirkness Committee of 1932-33 may, however, be value in illustrating the point sought to be made by the Committee—

> "Very great progress has been made . . . in surface treatment with tar and bitumen of existing arterial roads (in the Punjab) . . . This surface treatment is now being carried out on a large scale from the maintenance grant and has progressed so far that its substantial completion out of the savings in the maintenance grant in which it results may be looked for with some confidence . . ."

The Committee are informed that it was claimed in those days that ordinary waterbound macadam maintenance in the Punjab cost Rs. 2,000 a mile while the subsequent maintenance of the new "black-topped" surfaces, which cost less than Rs. 8,000 a mile to build, was reduced to Rs. 1,000 so that, in the ultimate result, upgrading of surfaces led to very considerable economies.

Excessive repair bills caused by neglect of road maintenance.

71.2. The Committee made an attempt to assess the additions to running costs of motor vehicles arising from the neglect of adequate repairs to existing roads in the country. For this purpose they were fortunate enough to secure statements of expenses of transport concerns operating on different kinds of roads. The results of the analysis are reproduced in **Appendix XVIII.** From these it will be seen that the cost of operating a bus over 30,000 miles a year on bad and fairly bad roads would be some Rs. 2,900 more than if the bus were operated over good roads. Of the additional expenditure, about Rs. 2,400 would be eaten up by spare part and tyre expenses and about Rs. 500 on extra fuel consumed. For goods vehicles the corresponding extra expenditure incurred on a lorry running a total distance of 20,000 miles a year on bad roads would be of the order of Rs. 1,600 on repair

costs (spare parts and tyres) and Rs. 400 on fuel. These figures even err on the conservative side as explained in **Appendix XVIII** and this is borne out by the following comparison of operating costs of a bus company in the United States of America and one of the best run bus companies in India operating on what are considered in India as fairly good roads.

TABLE—12

Comparison of the operating costs of a bus company in the U.S.A. with one in India.

Company	Spares		Labour		Tyres & tubes.		Oil & grease		Total	
	1948	1949	1948	1949	1948	1949	1948	1949	1948	1949
	All expenses in pies per mile.									
U. S. A. Company.	11.43	10.73	16.43	16.86	5.70	5.80	0·57	0.64	34·10	34.03
Indian Company	24.20	15.00	20.92	16.54	10.16	9.99	1.42	1.20	56.70	42.73

Are in effect still another tax on the motor vechicle user.

71.3. The Committee would observe that when money is collected from the motor vehicle user and "diverted" for expenditure on objects other than the repair of roads, this diversion operates in effect as another tax on the motor vehicle user, to the extent that he has to pay unnecessarily for repairs and the cost of tyres and fuel. The "diversion" of the proceeds of motor vehicle taxes is, as explained later in this report (para. 133.3), considerable and the additional "hidden" tax on the motor vehicle user is no less considerable *i.e.* it is not less than Rs. 10 crores a year if the figures given in the previous paragraph and **Appendix XVIII** are in any way representative.

The Nagpur Plan.

72. In their endeavours to assess the general position of road maintenance and development in India relative to what it should be in a well-planned economy, the Committee felt the need of some standard or yardstick on which to test their conclusions. They were referred to the Nagpur Plan which had generally been accepted as a good plan by the Centre and the States and by the public as represented by such bodies as the Indian Roads and Transport Development Association. The Committee were informed that this Plan had also been favourably reported on in the main by two world-famous road experts from abroad after careful study and an extensive tour over roads throughout India. The Plan as generally approved lays down certain principles among which the following adopted from the Plan itself and the comments of the experts have relevance to the subject matter of the Committee's enquiry:—

(1) Roads feed and are fed by other means of transport-communications and must therefore be considered primarily as part of a transport-communications network.

(2) All roads are of importance to the national welfare and one class of road is not to be developed at the expense of another: development should be balanced as between classes and should proceed in a planned sequence.

(3) The sole criterion for the specification of a road surface should be the traffic it carries or is expected to carry in the near future: a national highway may have an earth surface, and a village road a concrete surface if these are warranted by traffic requirements. [Strategic and similar considerations may justify some exceptions but capital is not to be locked up in expensive surfaces unnecessarily.]

(4) Road maintenance to proper standards should generally have priority over the construction of new roads.

(5) Roads are a service to all forms of development and expenditure on road development should bear some relation to the total expenditure on all other forms of development.

(6) The road plan should be statutory with some funds set aside by statute for its execution, at least at a minimum pace, so that it is not subject to almost total obliteration in the vicissitudes of temporary changes in political opinion.

Application of the principles advocated in the Nagpur Plan.

73.1. The Committee gained the impression from the many complaints about the condition of the roads (and the lack of roads) made by witnesses that none of these principles was perhaps being fully applied in India at the present time and that official opinion of the Centre and States, is inclined to be definitely hostile to any statutory road plan or the earmarking of funds for roads by statute. In paragraphs 70.1 and 70.2 above, the Committee have referred to the spasmodic nature of road development that has taken place in the past, and is still taking place in many areas, and to the present general lowering of the standards of maintenance. The Committee were not able to ascertain whether road projects were being taken up generally as part of a plan or on their individual and perhaps ephemeral political or economic merits. The question also appeared hardly relevant as road development was stated to have been brought almost to a standstill, except in a few areas, owing to budget cuts.

Three years' progress on road development.

73.2. From figures produced before the Committee, it appeared that the progress on the first five year targets (based on the Nagpur Plan) set up by the Centre and the States was, after three years, only 6½ per cent on national highways and 16 per cent in the States, the latter progress, as already stated, being largely financed from "block grants". The main reason for this slow progress is undoubtedly the rapid rise in recent years of the costs of labour and materials required for road construction coupled with stationary or falling contributions from Central and State budgets but the evidence of road engineers attributed much blame to the difficulties they found in organizing works and recruiting and training staff owing to the uncertainties of future budget grants.

Road Development a continuous process.

73.3. Road development, they claimed, is a continuous process lasting over a long period of years. This has been recognised in many countries where arrangements are commonly made to finance long-term road development plans. Individual States in the United States of America for example, know two years in advance of starting work on a project what Federal grants will be available and the grants can be taken on what they call the "matching" principle

within three years after construction is commenced. These grants do not lapse but are available for expenditure till the project is completed. Also, as explained in Chapter VI of this report, the engineers in the individual States are tolerably sure within reasonably close limits what funds will be available for road works in their own budgets for several years ahead.

Difficulties in implementing planned road development.

74. In a statement placed before the Committee by the Engineer member, the difficulties at present being experienced by road engineers in India have been summarised as follows:—

The uncertain fluctuations of budget grants for road development give rise to—

(1) Difficulty in building up adequate staff organizations which cannot be suddenly expanded and contracted to correspond with violent budgetary fluctuations;

(2) Difficulty in building up stocks of tools and plant and making economic use of existing stocks;

(3) A sense of frustration among the senior directing and executive staff when (as in the past three years) the scanty available funds are provided irregularly to execute the plans that economically require regular execution. [Good, sound, economical design is often rendered inefficient and wasteful by violently fluctuating grants so that officers find it difficult to put their hearts into sound designing.]

(4) Waste of effort and resources caused by slowing up and then expanding, and again slowing up big projects. [It is like starting up and stopping at frequent intervals a heavy piece of machinery or a train; the effort applied is out of all proportion to the results achieved.]

(5) The putting aside of technical, detailed estimates in the case of a large number of projects which were programmed under budget provisions and now cannot be taken in hand on account of lack of funds."

With respect to item (2) it may be mentioned that the changing economies of India are calling for the greater use of machinery on road works as it is now very uneconomical to use hand labour on many operations which can be more cheaply carried out by machinery. Also labour for road work is becoming very scarce as it can find more congenial employment (and employment that is more beneficial to the economy of the country) in industries and even in the fields. But machinery cannot be profitably purchased when grants for road work fluctuate-violently. For example, the ordinary road making machine has a 10,000 hour working life and at the time of its purchase, there should be a full programme of work for it to do. To lay up machines because there is no budget provision for their employment after the first year or so, not only means locking up capital but the disbandment of the repair agency (another very expensive item) and rapid deterioration of the machine.

India's road needs during the next twenty years.

75·1 The difficulties mentioned in the previous paragraph will not be overcome until the magnitude of the road development needs of the country is appreciated in a practical sense. The Nagpur Conference mapped out a programme of construction work required to

meet India's needs for the next twenty years. This programme has been, as already explained generally accepted, yet the progress in implementing it has so far been negligible. At current prices no less than Rs. 750 crores will be required to complete this programme. (Incidentally this sum is much less than is spent by the United States of America every year on its roads). The revenue that will be collected from the motor vehicle user will be more than Rs. 30 crores in 1950-51. Before the war the revenue was less than one-third of this sum. Assuming, however, there will be no growth in the number of motor vehicles and no increase in revenue, the motorist will contribute Rs. 600 crores in taxation during the next twenty years. Most of the money so collected will, however, be required to pay for road maintenance and "normal" development *i.e.* the type of small-scale development usually financed from revenue. The Nagpur Plan would still have to be mainly financed, from "Capital" as indeed was stated in the Plan itself when the taking of development loans was recommended. Roads in the United States of America have in the past been largely financed by loans and even today loans are raised to finance particular projects,* The Committee recommend that the Central and State governments should consider raising loans to fund their road development programme.

Can be met by raising loans for road development.

75.2. The Committee understand that the Planning Commission have made a similar recommendation with respect to India's irrigation development programme. This recommendation as reported in the newspapers is to the effect that a definite sum of money should be put into a "ways and means" fund every year by each State from general revenues, from loans, and from savings. The fund should be non-lapsable and all capital expenditure should be met from it. If the same procedure were followed with respect to roads, with the added requirement that, as in the United States of America, the road plan be made statutory so that it can only be changed after open debate in Parliament and not by executive action alone, a big step forward will have been taken in solving India's road transport problem. This question is further discussed in paragraph 148 below.

The Road Board.

76.1. It was mentioned in paragraph 67.4 above that many of the recommendations of the 1943 Nagpur Conference of Chief Engineers had been accepted by the Central and State governments. The only recommendations of importance that have not so far been accepted are those relating to the creation of an independent Road Board on the model of the Bureau of Public Roads in the United States of America and the provision of funds raised by loans to implement the Nagpur Plan. The question of raising loans has been dealt with in the previous paragraph. With respect to the creation of an independent Road Board, it is of interest to consider what has been done in this direction in the United States of America. In that country, the various Federal Highway Acts have laid down the principles that must govern the execution of the road plan. The

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* Recently the Pennsylvanian Turnpike Commissions old bonds to raise a sum equivalent to Rs. 37 crores to finance an extension of its roads, the New Jersey State has raised Rs. 115 crores for an 118 mile turnpike, and Virginia sold a Rs. 9.5 crores revenue bond to finance bridge and ferry improvements.

very fact that they are embodied in an Act makes for a clearer understanding of these principles by the various agencies concerned with the execution of the plan. These agencies, including the Bureau of Public Roads, must function within the four corners of the Act and this makes them largely independent of day to day political direction, just as the Motor Vehicles Act of 1939 in India made the Transport Authorities independent. As a result, a consistent road policy has been followed in America since 1921. (It may be noted that the amended Highway Acts passed after 1921 were based on the essential principles embodied in the original Act, such changes as were made having been only in the direction of extending the scope of federal aid.)

And the National Highways Act.

76.2. The Committee believe that if legislation is enacted in India on the broad lines of the American Federal Aid Road Acts, the implementation of the Nagpur Plan will not be found so difficult as it appears to be at present. A National Highways Act will shortly have to be drafted as required by Entry 23 in List I (the Union List) of the Seventh Schedule of the Constitution of India and the Committee recommend for consideration that the principles they have listed in paragraph 72 of this report be embodied in this Act. The Committee will amplify this recommendation when they come to discuss taxation measures at a later stage in this report.

CHAPTER VI—TAXATION OF MOTOR TRANSPORT IN FOREIGN COUNTRIES

Scope of Chapter VI.

77. This chapter describes briefly some foreign motor vehicle taxation and road transport policies, mainly in respect to the United Kingdom and the United States of America, to illustrate the methods that have been adopted elsewhere to solve problems similar to those India is at present facing. The Committee found it very difficult within the short time available to them to secure information regarding the latest position in other foreign countries and this explains the meagre treatment of the subject relating to them in the following pages.

Comparison of Motor Vehicle Taxation in various countries.

78. **Appendix XX** shows the taxes on motor vehicles and petrol imposed in certain foreign countries. The figures have been converted into Indian currency and are reproduced by the courtesy of the International Road Federation. In making use of the figures contained in the statement it should be borne in mind that there would, in addition to the taxes shown, be imposed in some countries import and excise duties on motor vehicles, parts and accessories. A strict comparison between India and foreign countries must take into account these duties because the motor vehicle user in a country which produces its own vehicles and accessories or fuel can obviously bear greater direct taxes than the user in countries like India who has to pay indirect taxes in the shape of customs duties on all or most of these items. The Committee were not able to make allowances for indirect taxes of this kind because there was not sufficient time to collect data relating to the rates of customs duties in other countries. The following Table shows the average tax per vehicle in the countries named but excludes customs and excise duties where these are not known:—

TABLE—13.

COUNTRY	Total M. V. Taxation in 000,000.					No. of motor vehicles (excluding Motor Cycles).	Taxation per vehicle
	Currency	Fuel Taxes	Vechicle Taxes, licences & Misc.	Total	Total in Rs. Crores.		Rs.
Gt. Britain (1948/49)	£	46.3	52.7	99.0	132.00	3,169,119	417
France (1947)	French francs.	(mainly of fuel	by wa taxe	40,000	55.17	1,466,000	377
Union of S. Africa (1947)	SA £	5.62	4.13	9.74	13.15	455,000	289
U.S.A.(1948)	$	1728	1660	3442	1639	41,151,000	398
India (1948/49)	Rs.	136.9	147.4	284.3	28.43	230,000	1232

It is clear that the general level of taxation in India is much higher than in the other countries named but this is no doubt partly owing to full allowances not having been made for the factors mentioned above. The Committee fully realise that the comparison made in the Table is not conclusive on other grounds also, since economic conditions vary between countries. Nevertheless, the comparison is of value as indicating, even after making such reservations as the reader might think appropriate, that the motor vehicle user in India is very heavily taxed indeed.

The United Kingdom: Taxation

Taxation of motor vehicles in the United Kingdom.

79·1. Under the Development and Road Improvement Act of 1909, a Road Improvement Fund was instituted, to which was credited the proceeds of all the motor vehicle taxes and a petrol tax of 3 d. per gallon. The motor vehicle tax or "licence fee" was payable at the time of the annual registration of each vehicle and varied in the case of private cars from £2-2-0 for a 6.5 h.p. car to £ 42-0-0 for cars over 60 h.p. Vehicles used for commercial purposes were exempt from this tax and only paid a flat registration fee of £ 1-0-0.

Classification of Motor vehicles.

79·2. In 1920, these taxes were revised and all mechanically propelled vehicles were required to pay a "licence fee". The petrol duty continued. The system of taxation under the heads petrol tax and "licence fee" (annual registration tax on motor vehicles) has been the basis of motor vehicle taxation since the beginning though the classification of motor vehicles was changed from time to time. The classification was until recently according to unladen weight for goods vehicles, seating capacity for passenger vehicles, and horse-power for private cars. Horse-power was calculated according to an arbitrary formula (the R. A. C. formula) but this method of assessment has now been abandoned in respect of cars registered since the 1st of January 1947, which are now taxed at a flat rate as shown in **Appendix XX** and in the following paragraph.

Details of Taxes.

79.3. A motor vehicle licence in the United Kingdom now costs £1-5-0 per h.p. per year for private cars registered on or before 31st December 1946. For cars first registered on or after 1st January 1947, the tax is £10-0-0 per year, flat rate. Motor cycles are taxed on engine capacity as follows:—

Upto 150 c.c.	£ 0-17-6 per annum.
151-250 c.c.	£ 1-17-6 " "
over 250 c.c.	£ 3-15-0 " "

together with an additional £1-5-0 for a side car.

The tax on a goods vehicle weighing one ton unladen is £15-0-0, with £2-10-0 extra for each additional 1/4 ton. A 3 ton lorry pays £ 35-0-0 and a 4 ton vehicle £ 50-0-0. The tax for each 1/4 ton in excess of 4 tons is £ 5-0-0. The schedule of taxes for passenger

vehicles is as under:—

TABLE—14

Seating capacity of vehicle.		Rate of tax.	
Exceeding	Not exceeding.	Initial	Additional for each person in excess of the number in col. 1
1	2	3	4
	4 persons	£ 10 0 0	£ —
4 persons	8 persons	12 0 0	—
8 persons	26 persons	12 0 0	2 0 0
26 persons	32 persons	48 10 0	1 12 0
32 persons	..	57 12 0	1 4 0

Motor fuel, including diesel fuel, is now taxed at 1 sh. 6d. the previous tax of nine pence having been doubled in March 1950.

The United Kingdom: Regulation.

Regulation of motor vehicles.

80. The Road Traffic Act of 1930 provided for regulation of the road passenger transport industry, regulation of goods transport having been kept in abeyance pending receipt of the report of the Royal Commission on Transport (appointed in 1928) and of the Salter Committee (appointed in 1932). The Road and Rail Traffic Act of 1933 was later passed to extend the control to the public carriage of goods by road. The Road Traffic Act of 1934 confined itself chiefly to road safety, and the Road Haulage Wages Act of 1938 dealt with the standard of wages and conditions for goods transport drivers.

Road-Rail competition.

81. Road-rail competition first became appreciable in the United Kingdom, as in India, after the first world war when numerous ex-servicemen bought discarded military vehicles and began plying them for hire. There were no restrictions then on road transport and the undesirable effects of uneconomical competition soon became apparent. In 1922, some of the railways tried to obtain powers to run road transport themselves but their Bill was turned down and they were thereby forced into opposition to road transport. They were, however, later given the necessary powers by the Road Transport Acts of 1928 and so were able to collaborate with the larger bus undertakings. There was, however, no such satisfactory co-ordination with respect to goods traffic. As a result of the three reports of the Royal Commission on Transport, the Road Traffic Act 1930 was passed. This Act introduced a system of licencing of public passenger services which was entrusted to Traffic Commissioners in thirteen areas into which the country was divided. The Traffic Commissioners were required to eliminate services that they considered unnecessary, to fix and maintain fares, and to sanction routes and timetables, none of which could be altered without their permission. Operators of public service vehicles were required to obtain their licences subject to these and other restrictions, and, when applying for the renewal of their licences, they were expected to justify their

services against rival providers of transport including the railways. The licencing period has since been extended to 3 years for stage carriage licences.

The Salter Committee.

82. The Salter Committee was appointed in 1932 to make recommendations with a view to establishing a fair basis of competition and division of functions between rail and road transport of goods (with particular reference to the incidence of highway costs) and deciding the nature and extent of the regulation that should be applied to goods transport by road and by rail. The Committee were further required to make recommendations designed to assist the two sides of the industry to function under equitable conditions that adequately safeguarded trade and industry. The conclusions of the Committee were that hauliers—whether operating on roads or railways—and ancillary users, should be subject to regulation, enforced through the grant of licences as regards fair wages and conditions of service and the maintenance of their vehicles in a state of fitness; and that certain classes of traffic and certain kinds of vehicles should be excluded from the roads. Subject to these requirements, the Committee recommended that the industrialist and the trader should remain free to utilize as many motor vehicles as their business required. They placed very great importance on full freedom for a user to employ his own transport and considered that "the right of the ancillary user to employ his own transport would be a more effective safeguard than any possible system of public supervision against the dangers of abuse in large-scale organisations and amalgamations which sometimes offset their intrinsic advantages". The Committee did not recommend any fundamental change in the railway rate system but expressed the opinion that the railways should be relieved of their obligation to publish rates so long as no similar obligation rested on road hauliers.

The Road and Rail Traffic Act of 1933.

83. The Road and Rail Traffic Act of 1933 provided for limitation of public goods transport by licencing. Licences were of three classes; "A" licences for public carriers valid for two years; "B" licences for vehicles partly used for private business and partly for public haulage, valid for one year; and "C" licences for vehicles (ancillary transport) used by firms for their own business only and valid for 3 years. These periods were in 1938 increased to five, two, and five years respectively.

Restrictive conditions for licences.

84. The Chairman of the Traffic Commissioners in each area was the licencing authority empowered to issue these licences. A special tribunal, which was constituted to deal with appeals, has built up a body of case law which has tended to secure uniformity in the decisions of the licencing authorities. The issue of "A" and "B" licences is governed by the requirements of public interest and by the consideration that excess facilities should not be provided, thus ensuring that undue competition is avoided. The "A" licenceholder cannot alter his fleet without permission, increases being rarely granted, and must keep detailed records of the work of each vehicle. When the licence comes up for renewal, any of his competitors (including the railways) can oppose it by showing that adequate transport services already exist in the area. The "B" licenceholder is even more rigidly controlled since his licence may specify a limited area for particular types of load to which he must confine himself when working for hire. "C" licences were issued freely as before.

The 1934 & 1938 Acts.

85. The Road Transport Act of 1934 tightened up the provisions of the 1930 Act regarding third party insurance, while the Road Haulage Wages Act of 1938 cleared up the confused position in regard to wages left by the 1933 Act.

Tendencies since the 1930 Act was passed.

86. The history of road transport from the time the 1930 Act was passed till the beginning of World War II was one of steady progress in regard to closer co-ordination and integration of railway and road services. Uneconomical and unbridled competition having been eliminated, the road transport industry devoted itself to improving the standard of public services, and passenger journeys and receipts per vehicle-mile steadily increased. But although there was a diminution in the total number of operators, the number of small owners of motor vehicles did not show any material decrease. The expectation that, as a result of the passing of the 1933 Act and the enforcing of a regular licencing system, there would be coalescence of hauliers into bigger groups was thus not realised. "A" and "B" licences have generally been stable and there has been a marked increase in "A" contract licences, but "C" licences have increased far more than any of the other classes. This is a significant tendency in the light of the specific emphasis laid by the Salter Committee on the free issue of "C" licences as a safeguard against the inefficiency of public services.

The rate structure.

87. The rate structure has a good deal to do with the choice of the form of transport to be used. Without a suitably designed rate structure, it would be impossible to ensure that each branch of the transport system gave the best service at the lowest real cost to the nation and performed the functions for which it was best suited. The Transport Advisory Council in their report published in 1937 proposed that there should be a rate structure for road traffic based solely on the factors affecting road transport and irrespective of the railway rate structure. They contended that if the rates charged were stabilised within each form of transport, the necessary degree of co-ordination would be secured by voluntary agreement. In that case each form of transport would tend to carry the traffic for which it was best suited. In the opinion of the Council, "the question of the basis on which rates should be fixed whether on the principle of what the traffic can bear or on the cost of service in each case or a combination of both did not arise". No specific guidance was, however, given by the Council on how the voluntary agreements between roads and railways should be achieved in view of the different rate structure envisaged for the two modes of transport. The recommendation in fact provided no solution and in 1938 the railways, threatened by successive losses in revenues, launched a campaign for a "Square Deal" asking for freedom to fix their rates as they liked. The users who had enjoyed the best of both worlds under a regime of controlled railway rates and uncontrolled road rates were alarmed at the prospect of unknown alterations in the railway rate structure; and, because of their opposition, the railways had to reduce their demands during the course of subsequent negotiations. The government had promised legislation without committing themselves to the precise lines on which such legislation would be

undertaken but the general aim was to give the trader adequate alternative facility and freedom to select the form of transport he desired, the resultant competition being on fair terms.

Transport during the war.

88. The war required severe restrictions to be imposed on the use of goods transport on roads and also demonstrated that all forms of transport were essential to the life of the community. The restrictions of that time on road transport resulted not from the exercise of the discretion of the licencing authorities under their statutory powers but because of the shortage of fuel, rubber etc. Allocation of traffic was mainly achieved by fuel rationing. While the capacity of the railways to deal with the greatly increased traffic was fully demonstrated, the mobility of road transport was at the same time brought to the forefront and road transport was found especially valuable for large scale movements, particularly in dealing with emergencies. The experience gained during the war enabled differentiation to be made between long distance and other road haulage. The line was drawn at 60 miles, as a convenient working limit and not as a definition of "long distance". An incidental outcome of the war-time restrictions was that the various road transport associations were federated into the Road Haulage Organization which was purely a war time creation that was to be dissolved when the agreement on which it was based expired.

The Transport Act of 1947.

89.1. Nationalisation of public inland transport was taken in hand with the passing of the Transport Act, 1947 and the setting up of the British Transport Commission. This Commission was intended to provide, secure, or promote, the provision of an efficient, economical, and properly integrated system of public inland transport and port facilities within Great Britain and to extend and to improve the system. In order to attain this end, the Commission is under the statutory duty to acquire certain types of road haulage concerns and is also empowered to acquire road passenger transport undertakings. All road transport undertakings whether goods or passenger will be under the control of either the Road Haulage Executive or the Road Passenger Executive.

89.2. Acquisition will only be made of road haulage firms established before the 31st December 1946 whose activities during 1946 consisted predominantly of long distance carriage of goods for hire or reward. "Long distance traffic" is defined as traffic which is carried more than 40 miles in one or more vehicles.

89.3. Certain specialised traffic will not be affected, namely, bulk carriage of liquids in tank-wagons including tanks not permanantly fixed to the vehicle if of more than 500 gallons capacity; furniture removals; meat and livestock transport; abnormal indivisible loads including round timber; and traffic of a special nature that under statute may only be carried in vehicles specially constructed or adapted for the purpose.

Statement of Policy of the British Transport Commission.

90.1. The British Transport Commission issued on the 27th July 1950 a statement of Policy on "Integration of Freight Services by Road and Rail", to serve as a directive from the Commission to the Railway and Road Haulage Executives as to the steps to be taken for the integration of their respective freight services. This policy

is of interest, as being a very recent statement of the objectives of a transport policy considered suitable for the future. The statement opens with the following observations:—

"Rail and road services should be regarded and developed much more as complementary to each other, and much less as rival forms of transport.

Conditions under which rail transport is specially suitable.

Rail transport is specially suitable and efficient for:—

(1) traffic that can be carried from point to point in train loads;

(2) traffic passing from or to private sidings;

(3) the trunk haul, free from staging, of most kinds of long distance traffic. This traffic may require increased use of containers and extended feeder or distributor service by road;

(4) low grade traffic over any distance, whether travelling in train loads or not, where the rail service is adequate and costs less to provide than the road service;

(5) traffic requiring bulk movement and storage before or after transit;

(6) large blocks of traffic requiring immediate absorption in the transport system, such as bulk imports ex-ship, or industrial output from steelworks;

(7) large blocks of traffic involving unbalanced movement.

Conditions under which road transport is specially suitable.

Road Transport is specially suitable and efficient for:—

(1) local transport work;

(2) more extended services upto the distance at which the economy in tractive effort by using rail for the trunk portion of the conveyance is greater than the economy resulting from—

(a) avoidance of the extra handling on and off rail;

(b) the saving to the trader of the cost and weight of packing material etc., or of returned empties;

(c) the reduction in the risk of pilferage, damage or loss, made possible by freedom from transhipping;

(d) saving in time;

(3) traffic where the dimensions of the goods make railway transport either awkward or costly, owing to railway loading gauge, or where rail transport would involve dismantling the consignment and carrying it in sections;

(4) household removals and similar traffic where special packing and unpacking is essential, or where a skilled person must personally deliver and erect or fit the goods."

90.2 It is intended that the Road Haulage Executive will eventually provide all road services for freight within the control of the Commission but, for the time being, the Railway Executive will provide and control their collection and delivery services, and will continue to unify and co-ordinate them.

Statement of policy on traffic in general.

91. Under the heading of "Traffic in General" the statement continues—

"Wherever, and as soon as, opportunity offers, action on the following lines will be taken:—

The Road Haulage Executive, will employ the Railway Executive's rail service for direct trunk haulage of long distance 'smalls' and wagon load traffic where the Railway Executive can make available suitable terminal accommodation, containers, and train services.

The Railway Executive will employ the Road Haulage Executive's road services for trunk haulage of cross country traffic and wherever use of road services will reduce staging and transit time, and facilitate rail movements in direct train loads between main centres."

The United Kingdom: Roads

Road problems created by the motor vehicle.

92.1. It is interesting to note that the legislation enacted as early as 1909 to institute the Road Improvement Fund was necessitated by the outcry of the public in general, and of motorists in particular on the exceedingly inadequate conditions of the then existing roads to meet the demands which were increasingly being made upon them by the newly introduced form of motor vehicle transport. While introducing the new duties on motor vehicles and petrol, the Chancellor of the Exchequer explained:—

"The brunt of the expense must be borne by the motorists and to do them justice they are willing, and are even anxious, to subscribe handsomely towards such a purpose, so long as a guarantee is given in the method and control of the expenditure that the funds so raised will not merely be devoted exclusively to the improvement of the roads but that they will be well and wisely spent for that end ..... expenditure undertaken out of the fund must be directly referable to work done in connection with the exigencies of the motor traffic of the country".

And further—

"With regard to petrol, my proposal is that the whole of the money raised, whether by increasing the graduation of the scale or by the amount of the petrol duty should go to the improvement of the roads".

The duties were therefore clearly based on the conception of a requited tax. It is significant today, after a lapse of so much time, that as early as 1909 the problems arising from the then new method of transport, problems that are crying for a solution in India today, were foreseen in the United Kingdom more than forty years ago and were solved by the imposition of taxes on the motor vehicle user, the proceeds of which were earmarked for expenditure on roads.

The Roads Act of 1920.

92.2. The Roads Act 1920 introduced changes in the system of taxation, registration, and licencing of motor vehicles and provided for the establishment from 1st January 1921 of a Road Fund to

which the proceeds of all the taxes were to be credited as well as all the money and investments standing to the credit of the Road Improvement Fund. At the time the Act was passed, an assurance was again given to the effect that **"this fund specially raised by taxation of a particular class is specially safeguarded against its** expenditure being diverted from the use for which it is raised to **the relief of general taxation".**

92.3. Between 1915 and 1920, as a War measure, the motor spirit duties were raised from 3d. to 6d. and part of the Road Fund money was diverted to the National Exchequer. A substantial part of the amounts so diverted was, however, repaid between 1919 and 1922. The petrol tax was repealed in 1921 but was reimposed at 4d. per gallon from 1928. It was thereafter raised by stages to 9d. which rate remained in force till March, 1950 when it was doubled and became 1sh. 6d. per gallon.

93. Seventeen years after the institution of the Road Fund, that is in 1926, the Chancellor of the Exchequer repudiated the basis on which the Fund had been originally instituted and began a series of raids on the accumulations starting with an appropriation in that year of £7 millions. There was further, a diversion of one-third of the revenue from the motor vehicle duties on private cars and motor cycles to the Exchequer. By this time, however, the roads in the country had benefited considerably from expenditure met out of the Fund. During those seventeen years, the total amount credited to the Road Fund was £102.01 millions and all, except £9.67 millions was spent on roads. Between 1927 and 1937 (further figures are not available) the motor vehicle user contributed £565 millions to the Exchequer and a little less than half, or £226 millions of this were allotted for expenditure on roads.

Raids on the Road Fund.

The United States of America: Taxation

94. The United States of America has a very complicated motor vehicle taxation structure. The basis and level of taxation varies from one State to another and taxes are imposed at a large number of stages, as the following list will show:

Taxation of motor vehicles in the United State of America.

(1) Federal manufacturers' excise taxes.
   (a) Gasoline
   (b) Lubricating oil
   (c) Motor vehicles
   (d) Tyres and tubes
   (e) Parts and accessories.

(2) State fees and taxes.
   (a) Registration fees based on gross weight, net weight, chassis weight, horse power, rated capacity, value, flat rate, or combinations of two or more of these.
   (b) Special motor vehicle carrier fees including, milage taxes, ton-mile or passenger mile taxes, gross receipts taxes, special licence taxes, State gasoline taxes; fees such as certificate fees, permit fees, chauffeur's licence fees, fees for certificate of title, fees for transfer or re-registration, etc.

(c) County fees and taxes, namely, registration fees or wheel taxes, road and bridge privilege taxes, gasoline taxes etc.

(d) Municipal fees and taxes, namely, registration fees, wheel taxes, gasoline taxes, operator's and chauffeur's licence fees.

(e) Personal property taxes, State, Country, and Municipal.

(f) Public bridge and ferry tolls, State, Country, and Municipal.

There are wide variations between States with regard to the bases on which fees are computed and there is multiplicity of rates and duties, in the classification of vehicles, and in the types of records maintained.

Federal Taxation.

95.1. Under the Revenue Acts of 1918, 1921, and 1924, motor vehicles, parts and accessories, and tyres and tubes, were subject to tax but the Revenue Act of 1926 repealed the tax on motor trucks, tyres, and parts and accessories, with effect from 26th February 1926 and reduced the tax on other motor vehicles to 3 per cent. with effect from 29th March 1926. In 1928 the tax on these vehicles was also abolished so that there was then no federal taxation on any item.

95.2. In 1932 the Revenue Act of that year reimposed, as an "emergency" measure to provide additional revenue, fresh federal taxation on motor vehicles in the form of a manufacturers' excise tax levied on gasoline, lubricating oils, tyres and tubes, motor cars and motor cycles, parts and accessories, and trucks. The rates of these taxes were generally constant between 1932 and 1939 at three per cent on automobiles, two per cent on trucks, parts and accessories, one cent per gallon on gasoline, four cents per gallon on lubricating oil, two and a half cents a pound on tyres, and four cents a pound on tubes. These rates were increased between 1939 and 1942 the tax being seven per cent on automobiles, five per cent on trucks, parts and accessories, one and a half cents per gallon on gasoline, five cents a pound on tyres and nine cents a pound on tubes. This is apparently a formidable list but the tax incidence by Indian standards is very low.

State Taxation The States motor vehicle tax.

96.1. There are two main State taxes, namely, the State Vehicle Tax and the State Fuel Tax. These two sources together now yield a substantial revenue, the sum collected in 1945 being 1,110 million dollars or 1.37 times the yield of all State income taxes. In the earlier years, the motor vehicle tax was a fee rather than a tax properly so called as it was merely incidental to the annual registration of motor vehicles for regulatory purposes. Subsequently there was a gradual evolution of the tax into the complex structure that exists today. During the course of the evolution of the present tax structure, the States were motivated by a pursuit after the ideal of a motor vehicle tax adjusted to the 'cost of service' on what is known as the 'benefit principle'. This explains the differences in the methods of taxation in the various States.

And the State sfuel tax.

96.2. The State fuel tax partakes of the nature of a special retail sales tax with a simple structure capable of easy administration. It has become a major source of revenue from the motor vehicle user. This tax was introduced for the first time in 1919 in four States at

one cent per gallon, but the general adoption of the tax thereafter has been very rapid, and, at the present time, there is no State which does not impose a tax on petrol. The lowest rate charged by any State (1948) is two cents per gallon and the highest is nine cents.

Property tax on motor vehicles.

96.3. The motor vehicle user also pays a property tax on the value of the motor vehicle he owns. This tax is generally not regarded as a "user" tax partaking of the nature of a fee levied in return for the roads provided by the States. The tax is high in some States and, where it is high, the registration and other taxes are generally lower than the average levied by the States. The proceeds of this tax are, therefore, indirectly available for expenditure on roads in some cases.

The United States of America: Regulation

Regulations

97.1. For a long time regulation of motor transport was effected by State legislation, but this was a comparatively slow process. In 1928, 43 States and the District of Columbia had regulations on the transportation of passengers by road, but only 33 States and the District of Columbia had regulations on the transportation of goods. The law varied widely from State to State and the record of enforcement was equally varied. The position to-day is indicated in the following paragraphs.

The Federal Motor Carrier Act of 1935.

97.2. The Federal Motor Carrier Act of 1935 brought greater uniformity in State regulation. A number of States enacted thereafter new regulatory laws patterned after the Federal Act. The Act brings within the jurisdiction of the Interstate Commerce Commission all motor vehicle transport of passengers and goods engaged in interstate and foreign business. Operators who only ply within a State but handle goods or passengers involved in interstate movement are also brought within the scope of the Act.

Types of goods carriers.

98.1. There are three types of goods carriers *viz.*,

(1) common carriers

(2) contract carriers and

(3) private carriers.

Common carriers undertake transport of goods on hire for the public generally, though in some cases some carriers confine themselves to paticular kinds of traffic. Common carriers include those who ply on regular routes as well as others who ply "anywhere-for-hire". Contract carriers carry goods under special contracts for particular clients only. Private carriers are individuals or business establishments transporting their own traffic.

Common carriers.

98.2. Common carriers are subject in a considerable degree to restrictions of which the most important are the following:—

(1) "Certificates of public convenience and necessity" are required to be obtained before they engage in business or extend their operation to additional routes. Under a "grandfather clause", carriers who were in operation on 1st June 1935 were entitled to certificates as of right. Certificates are valid indefinitely, unless suspended or revoked for wilful violation of the Act or an order of the Commission.

(2) Safety requirements such as safety of operation, standards of equipment, qualifications of employees and hours of service.

(3) Rates and fares must be reasonable and non-discriminatory. Publication of rates and fares is required and they must be strictly adhered to. Thirty days' notice is required before they can be changed.

(4) The Interstate Commerce Commission is empowered to prescribe maximum and minimum rates. The Commission is also empowered to suspend rates and fares proposed for a period not exceeding seven months.

(5) A uniform system of accounts may be prescribed by the Commission and reports may be called for.

Contract Carriers.

98.3. Contract carriers are subject to some of the restrictions applicable to common carriers such as the safety provisions, and reports and accounts.

The following requirements, however, are specially applicable to them:—

(1) They operate under "permits" and not "certificates of public convenience and necessity".

(2) Their minimum charges must be filed with the Commission and they cannot legally charge less than these.

(3) Notice of 30 days is required before minimum charges can be reduced.

(4) The Commission may prescribe minimum, but not maximum charges.

The object of these provisions is to prevent the contract carriers from unduly competing with common carriers and these were considered to be the minimum necessary for this purpose.

Private carriers.

98.4. Private carriers are not subject to any regulation beyond those relating to qualifications of employees, hours of service, standards of equipment, and safety.

Certificates for common carriers.

98.5. Under the Act, a certificate of public convenience and necessity must be issued "if it is found that the applicant is fit, willing, and able properly to perform the service proposed and to conform to the provisions of this part and the requirements, rules, and regulations of the Commission thereunder and that the proposed service .....is or will be required by the present or future public convenience and necessity". The governing factor is "public convenience and necessity". The Commission has given a liberal interpretation of the word "necessity" for, to quote the Commission, "there are comparatively few things in life which can be regarded as absolute 'necessity' and it was surely not the intent of Congress to use the word in so strict and narrow a sense". The applicant, however, has to establish that the proposed service "will serve a useful public purpose, responsive to a public demand or need". The importance attached by the Commission to the maintenance of competition among motor carriers as a factor conducive to efficient operation is evidenced by the fact that the Commission has in certain cases issued additional certificates on routes where competition was absent though the existing service was by no means inadequate. To

quote the Commission again "it must be accepted that an additional service may be required in the public interest, even though an existing operator is supplying in quantum what appears to be a sufficient service, where there is lacking any worthy competitor of such operator in his own field and where the available business is ample to support another operation".

Permits for contract carriers.

98.6. Permits for contract carriers can be more easily obtained than certificates for common carriers. Under the Act, a permit is to be granted to a new applicant "if it appears.....that the applicant is fit, willing, and able properly to perform the service of a contract carrier by motor vehicle, and to conform to the provisions of this part and the lawful requirements, rules and regulations of the Commission thereunder and that the proposed operation..... will be consistent with the public necessity and the policy declared in this act". The essential point is that it is not necessary for an applicant for a contract-carrier permit to show "public convenience and necessity" but he has only to establish that the proposed service will be consistent with the public interest and the national transportation policy. The Commission have stated that "the language of the Statute makes it quite clear, we think, that the requirements for the issuance of a permit are not as exacting as those governing the issuance of a certificate".

The United States of America: Road-rail Co-ordination

Road-rail coordination

99.1. At the time the Motor Carrier Act of 1935 came on the Statute book, there was a general fear that it would have the effect of stifling motor vehicle transport while protecting railroad carriers. This fear was specially accentuated by the action of the railroad operators themselves who strongly advocated regulation of motor vehicle transport. In the enactment, however, Congress included provisions which were intended to prevent the railroads benefiting at the expense of motor vehicle transport. The enforcement of the Act by the Interstate Commerce Commission has also been carried out in a manner not unduly favourable to the railroads.

Control of motor carrier services by railways.

99.2. Before the 1935 Act was passed, many railroads had control of motor carrier services either directly or through subsidiary companies. These services obtained the benefits of the "grandfather clause" in the Act, but the Act itself (with subsequent amendments) provides that if a railroad or other undertaking controlled by or affiliated with a rail-road, desires to acquire control of a motor carrier, the Commission shall not permit this unless it finds that the transaction will be to public advantage in its operations and not unduly restrictive of competition. The Commission commenting on this provision has stated that the intention of the Congress was "to protect each mode of transportation from the suppression or strangulation thereof which might follow if control thereof were allowed to fall into the hands of a competing transportation agency". It was, however, realised while enacting the Act that in many cases motor vehicles transport could form a useful adjunct to the service given by railroads and the Act therefore enabled the railroads to acquire control of motor carriers when such control could be used to public advantage in the operation of the railroad and would not unduly restrain competition. In a leading case frequently referred to as the "Barker Case" where an affiliate of the Pennsylvania railroad was denied permission to acquire control of a motor carrier concern, the Commission stated "we are not convinced that the way to maintain for the future, healthy competition between rail and truck services

is to give the railroads free opportunity to go into the kind of truck service which is strictly competitive with rather than auxiliary to their rail operations".

The United States of America: Roads

Roads prior to 1916.

100.1. Prior to 1916 the responsibility for roads mainly rested in the States and Local Bodies. These came to depend more and more, after the advent of the motor vehicle, on road-taxes as the main source for financing their road development. State aids for local highway purposes grew rapidly in the early years and, after 1893, the States began to assume direct supervision over designated local road systems. Federal participation was confined in that period to aid through educational and promotional activities. Direct Federal participation in the financing of road development was established only on the passage of the Federal Aid Road Act of 1916. At that time there were 3.6 million motor vehicles in the United States of America which is more than twelve times as many as are found in India even to-day, thirty-four years later.

States responsibility for roads.

100.2. Even after the 1916 Act was passed, the primary authority and responsibility for the designation, construction, and maintenance of roads was vested in the States and Local Bodies. There has been considerable expansion since 1916 in the activities of State highway agencies and, since 1924, all States have fully organised all such agencies that are vested with authority over the main roads classified as the "State Systems". These State highway agencies enjoy high prestige and are able substantially to influence the road activities of local bodies in their jurisdiction.

The Federal Aid Road Act of 1916.

101.1 The Federal Aid Road Act of 1916 had two main objectives: first, to obtain the type of roads that would help the Federal Government in the performance of its functions, and second, to promote general commerce. The latter objective was deliberately chosen so as to evolve an integrated road system giving independent lines of communication between geographical regions and centres of population. There was a controversy at that time whether the Federal government should concern itself with secondary or farm-to-market roads. The position was not quite clear in the 1916 Act which left the selection of routes that were to be aided to the absolute discretion of the Secretary of Agriculture.

The Federal Highway Act of 1921

101.2. The Federal Highway Act of 1921 made the position clearer by limiting aid to a designated "7 per cent" federal aid highway system and the Act required the Secretary of Agriculture, in approving special projects, to give preference to such projects as would expedite the completion of an adequate and connected system of highways that were interstate in character.

Subsequent history of federal aid.

102.1. In the earlier years federal aid was subject to certain limitations. Under the 1916 and 1921 Acts the federal government did not have any direct proprietory interest in the roads improved from federal aid nor did it have any responsibility for maintenance. The federal government still has no direct proprietory interest in roads except for roads in the federal parks and reserves nor, with this exception, is it responsible for maintenance. Federal aid payments were to be matched by an equal amount by State expenditure. But in giving aid, the Federal government had power to distribute available funds among the States in accordance with a formula

suitable to the national interest and to prescribe management and construction standards. Considerable standardization has now been achieved by the device of requiring States, as a condition for the eligibility for aid, to conform to prescribed standards of road location and construction and by requiring each State to place its primary road system in charge of a State highway department. Indeed, the effect of the Act was such that by 1917 all States had established highway departments. The cost of federal aid was entirely met from general funds and the Acts expressly stipulated that highways receiving aid should be free from tolls of all kinds (except in so far as federal aid was used in the construction of toll projects).

Changes in policy brought about by the 1930 depression.

102.2 By about 1930 the necessity for promoting economic recovery and providing relief to the unemployed brought about a change in federal policy. In that year the Congress granted an advance of 80 million dollars (which was in addition to the normal federal aid) to the various States to be used for matching federal aid allotments. It was expected that this would lead to economic stabilisation through the maintenance of the federal aid programme and by keeping alive road projects that would otherwise have been abandoned from lack of funds. Similar advances were made in later years also and the additional funds which were made available for highway improvement were not subject to the limitations of the 1921 Act. As the economic depression became severe, many of these advances were later written off as gifts. Federal aid was also extended to roads beyond the designated "7 per cent" federal aid system. At a later stage federal aid was also extended to urban roads and to secondary "federal" roads. By 1935 a substantial change in the general policy might be said to have taken place in the direction of giving greater emphasis than before on relief of unemployment.

The Hayden-Cartwright Acts of 1934 and 1936.

102.3. The Hayden-Cartwright Act of 1934 was enacted to clarify the confusion which had arisen between "normal" and "emergency" road activities. It required all "normal" federal aid appropriations to be matched by the State. The Act was not, however, fully successful and it was not until it was revised in 1936 that the 50-50 matching principle was effectively restored. This principle has become one of the important features of American highway policy. The Act also made the inclusion of financial assistance for secondary road development a permanent part of federal aid. The secondary aid funds were to be supplied to secondary or feeder roads including farm-to-market roads, rural main roads, and public school bus-routes. In the initial stages the mileage of the secondary road system was not to exceed 10 per cent of the States highway mileage rate. Although not fully realised at that time, the secondary federal aid programme was a subsidy programme and represented a new major policy on the part of the federal government to subsidize part of the cost incurred by States and local bodies in their road functions.

The Federal Aid Highway Act of 1944.

102.4. The Federal Aid Highway Act of 1944 authorised federal expenditures of 500 million dollars every year for three years on highways, thus providing a sure source of funds for highway development, and the Act also provided for the designation of a "National system of interstate Highways" not exceeding 40,000 miles, located so as to "connect by routes, as direct as practicable, the principal metropolitan areas, cities, and industrial centres, to serve the national defence, and to connect at suitable border points with routes of continental importance in the dominion of Canada and the

Republic of Mexico. Most of this mileage was already a part of the federal aid system. The Act also made new provision for the expenditure of federal funds on urban roads. In the fiscal year 1948, a sum of 450 million dollars was made available and the same amount has also been made available during the fiscal years 1950 and 1951. As mentioned previously, these federal funds are available for expenditure only on the designated federal aid systems and must generally be matched by an equal amount by the State or local authority. Federal aid is available only for the improvement of roads and not for their maintenance.

Canada.

Federal taxation. 103.1. Taxation receipts from motor vehicles constitute an important source of the revenues of Canada. The federal government imposes a sales tax on new motor vehicles and equipment. This tax is payable on passenger vehicles, trucks, buses, and motor cycles, but some industrial equipment such as lumbering and logging trucks are exempt. The rate of the sales tax is, at present, 8 per cent *ad valorem*. There is also a federal excise tax on passenger cars and motor cycles at 10 per cent *ad valorem* and an excise and sales tax on tyres and tubes at 10 per cent. *ad valorem*. Vehicles imported from countries other than those who are members of the British Empire Preferential Agreement are charged customs duty at 17½ per cent *ad valorem*. No customs duty is payable on imports from countries that are parties to the Preferential Agreement.

Provincial taxation. 103.2. The provinces impose registration fees (which are really annual taxes on vehicles) and gasoline taxes. The rates vary from one province to another, and the bases of assessment also vary e.g. wheel base, net weight, horse-power, etc. are used in the assessment of the registration fee.

Regulation. 104. The regulation of motor vehicles and the maintenance of roads are under provincial jurisdiction. Permits which are issued by a Commission, or a Public Utilities Board in each province have to be taken out for the operation of goods carriers. Permits are issued for routes and the rates charged vary, depending upon the types of goods carried and the routes over which they are carried. The permit regulations vary between provinces.

Australia.

Motor vehicle taxation. 105.1. Motor vehicles taxation in Australia comprises registration fees, taxes on motor vehicles, and licences of motor dealers, drivers, and public vehicles except where these are controlled by local government authorities. The arrangements for the registration of motor vehicles and the licencing of drivers are not uniform throughout Australia. The rates and bases of taxes also vary from State to State. In South Australia, Victoria, New South Wales, and Queensland, horsepower is taken by one formula, while in West Australia a different formula is used.

The fuel tax. 105.2. Fuel taxes are fixed by the federal government and are uniform throughout the country. The import duty on gasoline is 10.9d. per imperial gallon; that on gas oil is almost negligible. Except in South Australia, the proceeds of the motor tax and motor registration fees are paid into special funds and the

amounts do not appear in the Consolidated Revenue Funds. The following Table shows the number of vehicles and the revenue received from them:—

TABLE 15

MOTOR VEHICLES: REGISTRATIONS
(Excludes Defence Service Vehicles)

Year	Motor Vehicles Registered as at 30th June.				
	Motor Cars	Commercial Vehicles. (a)	Motor Cycles.	Total	per 1000 of population at 30th J—
1	2	3	4	5	6
	No.	No.	No.	No.	No.
1938—39	562,271	258,025	79,237	899,533	129·89
1942—43	471,742	255,933	48,321	776,996	107·25
1943—44	493,391	274,269	52,560	820,220	112·20
1944—45	505,782	290,961	57,239	853,982	115·52
1945—46	522,615	333,129	72,701	928,445	124·35

TABLE—16

MOTOR VEHICLES: REVENUE

Year	Gross Revenue derived from			
	Vehicle Registration and Motor Tax.	Drivers' and Riders' etc. licenses	Other Sources	Total
1	2	3	4	5
	£	£	£	£
1938—39	6,318,435	508,387	257,652	7,084,474
1942—43	4,982,634	439,509	267,416	5,689,559
1943—44	5,232,772	451,156	273,700	5,957,628
1944—45	5,354,624	484,376	300,435	6,139,435
1945—46	5,882,844	557,728	378,732	6,819,304

Federal financial assistance for roads.

106.1. Federal grants for the construction and reconditioning of certain main roads have been made from the year 1922-23 onwards under Federal Aid Roads Acts and Main Roads Development Acts. The grants paid during the three years, 1922-23 to 1925-26 amounted in the aggregate to £1,750,000 of which £1,500,000 was allotted on the condition that the States spent an equal amount. The Federal Aid Roads Act, 1926 provided for a federal grant of £2,000,000 per annum for ten years from 1st July 1926, three-fifths of which was allocated to the States according to population and two-fifths according to area. The expenditure was to be incurred in the proportion of 15 sh. by the States to £1 by the Commonwealth. From 1st July 1931, instead of the grant of two million pounds per annum, the Commonwealth agreed to hand over to the States the proceeds of a two and a half pence per gallon customs duty and one and a half pence per gallon excise duty on petrol, the States not being required to make any contribution as previously. With effect from 1st July 1937 the amount payable to States was raised to the proceeds of a customs duty of three pence per gallon (and two pence a gallon excise duty). This agreement expired on 30th June 1947 and was replaced by the Commonwealth Aid Roads and Works Act, 1947. The total grant for road construction from 1922-23 to 1946-47 under the Federal Aid Roads and Main Roads Development Acts amounted to £57,884,000.

The Commonwealth Aid Roads and Works Act 1947.

106.2. Under this Act, the proceeds of customs duties equal to three pence per gallon, and of excise duties equal to two pence per gallon, on petroleum and shale products used as motor fuel are to be credited during each of the three years beginning from 1st July 1947 to a 'Commonwealth Aid Roads and Works Trust Account' to which is also to be added a yearly lump sum of one and a half million pounds from the Commonwealth revenues. Five per cent of the sum available for distribution to the States is paid to Tasmania and, of the balance, three fifths is allocated according to population and two fifths according to area, to the other States. The amount credited out of the proceeds of customs and excise duties is distributed for expenditure on roads on condition that the whole amount (with the exception of one-sixth which might be used for transport works) is spent on the construction, reconstruction, maintenance and repair of roads in accordance with a policy agreed to by the Minister. Of the one and a half million pounds lump sum credit to the Trust Account annually, one million pounds is similarly apportioned to States on condition that it is similarly expended upon roads through sparsely populated areas, timber country, and rural areas, or upon the purchase of road making plant where the purchase of such plant is beyond the resources of local authorities. The remaining half million pounds is to be spent on roads declared as strategic roads. The States are generally held responsible for the adequate maintenance of the roads on which these funds are spent.

Turkey.

The road tax

107. A road tax is collected at the rate of Turkish Lira 12·00 per man from all persons between the ages of 18 to 60 (both inclusive) with the following exceptions:—

(a) Persons having 5 children or more.
(b) Members of the armed forces excluding officers.
(c) Members of the gendarmerie (police) excluding officers.
(d) Students.
(e) The poor and the infirm.

In addition to this T. L. 6·00 per man is collected in towns where there are Municipalities. This amount is spent on Municipal roads.

The road-tax is collected in each province through the local government but the total amount collected is not spent on the roads alone. The tax so collected is spent in the province in which it is collected. The figures of collection and expenditure for the years 1938-47 were as under. A calendar year is taken for this purpose:—

TABLE—17

Year	Amount collected as tax T. L.	Amount spent
1938	9,264,027	1,531,944
1939	7,848,006	9,000,225
1940	8,338,143	8,608,564
1941	8,352,711	8,185,296
1942	9,447,676	7,816,301
1943	20,138,290	13,849,133
1944	21,810,876	14,016,792
1945	13,075,939	8,391,844
1946	24,335,468	12,797,521
1947	25,158,591	11,504,886

The fuel tax

108. A new fuel tax at the rate of 0·11 Turkish Lira per one kilo of petrol has been proposed and the Bill is in Parliament. If this Bill is passed the tax will be collected through the Ministry of Finance along with the Customs duty on importation, and the amount so collected will be spent exclusively on highways. Import duty on petrol is T. L. 33·88 per 100 kilos.

Tax revenue

109. Motor Vehicle taxes are imposed and collected by the Municipalities. Each Municipal Council fixes the tax by a resolution, collects and retains it as Municipal revenue.

110. The road mileages are as follows:—

Road mileages.

Asphalt covered roads.	825	Kilo-metres
Macadamised roads in good condition . .	10,955	,,
,, needing repairs	7,805	,,
Roads complete with bridges	5,360	,,
,, without bridges, incomplete . . .	8,870	,,
Earth roads needing asphalt covering . . .	9,685	,,
Total .	43,500	,,

CHAPTER VII—RECOMMENDATIONS: INLAND TRANSPORT POLICY

The problem set the Committee.

111. In the previous chapters, the Committee have attempted to give a factual account of the present condition of inland transport, mainly motor vehicle transport, in India; the taxes, Central, State, and Local levied on the motor vehicle user; the extent of road-rail competition; the extent and consequences of the present system of regulation of transport; and the position with respect to road maintenance and development in the country. They have also touched on many miscellaneous matters affecting motor vehicle transport such as the recent growth of State Transport Undertakings, the proposed building up of an Indian motor vehicle manufacturing industry, and the difficulties and disabilities under which the motor vehicle user in India exists at present. In Chapter VI a brief reference has been made to transport taxation and regulation in some other countries. So far the aim of the Committee has been to present for consideration an array of facts, as far as these could be ascertained in the brief time at their disposal, with as few expressions of the opinion of the Committee as possible. This method of approach was considered necessary by the Committee because the many factors affecting the healthy development of inland transport in India do not all operate in the same direction and opinions based on consideration of one set of facts as they presented themselves might have had to be revised when other facts came to be examined. In this and the following chapter the Committee attempt to review the problem of motor vehicle taxation (and the subsidiary problems of regulation and co-ordination of all forms of inland transport) with reference to the general picture presented in the previous chapters and to make definite recommendations with respect to the matters referred to in their terms of reference.

The system and extent of motor vehicle taxation dependent on transport policy.

112.1. The Committee was asked to recommend, among other matters, "*the basis of a scientific scheme of taxation of the motor vehicle user to ensure the provision and development of cheap, rapid, and efficient transport for different categories of users by the means best suited for the kind of traffic involved and with a view to obtaining proper co-ordination between the different forms of inland transport.*" It was evident from the beginning that no scheme of taxation by itself could ensure attainment of the objectives mentioned and that regulation and control of transport would also be necessary. Nevertheless a statement of the objectives of the required scheme of taxation gave the Committee freedom to examine the question of what Indian transport policy should be to attain those objectives and what regulation and taxation would be necessary to give effect to that policy.

112.2. It is clear that the absence of a common transport policy must leave the motor vehicle user at the mercy of three rival regulating and taxing authorities, Central, State, and Local, each concerned with collecting the greatest possible revenue from him. The Committee therefore propose first to discuss what common transport policy should be adopted throughout India and then to make their recommendations on taxation. To discuss policy they must first touch on the functions and obligations of the Union and of the States as provided in the Constitution of India.

The functions and obligations of the centre.

113.1. In the Constitution of India, one of the main functions assigned to the Centre or Union is the regulation of inter-State trade. The principle that the Centre should have this power is embodied in the Constitution of the United States of America and in many other federations. The Indian Taxation Enquiry Committee of 1924-25 records—

> "One of the main reasons that has led to the formation of federations is a desire to put an end to the crippling of trade by inter-State restrictions, and so much stress has been laid upon the necessity of making functions relating to inter-State trade Imperial (Central) that special provision to this end is contained in the federal constitutions of Germany, the United States of America, and the Commonwealth of Australia. This provision applies in the first instance to questions of taxation, but also governs the question of services rendered to trade such as regulation of..... railways.....and labour."

113.2. The Constitution of India places inter-State trade and commerce in the Union List and, further, gives the Union complete control of railways; national highways; national waterways; airways; major ports; carriage of passengers and goods by railways; carriage by national waterways in mechanically propelled vessels; terminal taxes on goods or passengers carried by railways, sea, or air; and taxes on railway fares and freights. This is a fairly comprehensive list but, in addition, the Constitution prohibits a State from levying Sales taxes on goods exported out of the State (though some States are at present levying such taxes under a temporary dispensation) and gives the Union the power to prohibit the imposition of a sales tax on the sale or purchase of any goods when such sale or purchase takes place in the course of inter-State trade or commerce (Article 286). The defining of the principles on which taxes on mechanically propelled vehicles are to be levied is included in the Concurrent List and so is "trade and commerce in, and the production, supply, and distribution of products of industries when the control of such industries by the Union is declared by Parliament by law to be expedient in the public interest."

The functions and obligations of the States.

114.1. The States are concerned with inter-State trade and commerce; the distribution of goods; taxes on the entry of goods into local areas; taxes on the sale or purchase of goods; taxes on goods and passengers carried by road or on inland waterways; and taxes on vehicles—subject to the provisions in this respect in the Concurrent List. The States are also responsible for all communications, roads, bridges, ferries, not specified in paragraph 113.2 above, and the traffic thereon except as provided in the Union and Concurrent Lists of the Constitution. They are also responsible for constituting, and delegating powers to, local bodies. These bodies must necessarily be delegated functions concerning road communications.

114.2. It is shown in paragraph 23 of the report (Table 3) that whereas the State Governments named therein collected in 1948-49 only Rs. 704 lakhs from motor vehicle users, they spent Rs. 1,415 lakhs on roads. The Central Government in the same year collected Rs. 2,105 lakhs (paragraph 11.2) from the same source but, not having constitutional responsibility for roads, spent only Rs. 368·43 lakhs

on roads apart from a relatively small expenditure from the Road Fund Reserve. (See **Appendix XI,** Statements B & C.) It has also been shown in paragraphs 26 to 31 how vexatious are the taxes collected by local bodies in some States.

Transport policy.

115.1. The factual position revealed by the Committee's enquiry and briefly set out in Chapters II to V of the Report indicates, as has been mentioned already, that no clearly defined transport policy has as yet been accepted by the Union and State governments. In their terms of reference the Committee were asked to give "*advice and information upon which legislation may be undertaken . . . . . to establish a fair basis of taxation of the motor vehicle user*" and any advice they give must be founded on a transport policy accepted by both the Union and State Governments. Once a policy is accepted, a "fair basis" of taxation and, it might be added, of regulation, can be suggested that will fulfil the objectives outlined in the terms of reference, a basis that will "ensure the provision and development of cheap, rapid, and efficient transport . . . . ", "proper co-ordination between the different forms of transport"; "reciprocity in taxation between the various taxing authorities"; and the laying down of "principles on which any part of the proceeds of taxation of the motor vehicle user should be made available for road maintenance and development". In the absence of a clearly defined and accepted transport policy, there can be no agreement on what is a "fair basis" of taxation.

115.2. The transport policy recommended recently to the United Nations and set forth briefly in paragraph 37.1 above was considered by the Committee with a view to seeing how far the recommended principles could be applied in India at its present stage of development. The conclusions of the Committee are as follows.

Fundamental Principles of Inland Transport Co-ordination

Two sides to transport: production and distribution.

116.1. The first two principles (para. 37.1) affirm that there are two sides to transport, namely, production and distribution, and that although transport is an integral part of the nation's economy, its existence depends on that of merchandise and persons requiring transport. The transport user must therefore play an important part in the formation of any co-ordinated transport system.

"Production" to be associated with motor transport regulation.

116.2. The Committee believe this principle can be accepted as applicable to India. They note that the transport user is already represented in the Regional and Provincial Transport Authorities and that these Authorities must consider "the interests of the public generally" before granting permits. As a further step towards giving the transport user a part in the day to day work of co-ordinating transport services, however, the Committee suggest that the business of the Transport Advisory Council, which meets every year, be expanded so as to provide time for discussions on suggestions made by an "Associated Council", comprised of business, transport, and producer's interests, who can place their views before the main Council for consideration. A similar expansion of corresponding State Councils, where they exist, is also recommended by the Committee. It has been a complaint in the past of business, transport, and producer's interests that the Transport Advisory Council is a purely official body and that the users of transport are not fully consulted

by it in matters affecting transport in general and transport co-ordination in particular.

Freedom of choice.

117.1. The third principle proposed for acceptance by the United Nations is that the user should enjoy unrestricted freedom of choice among the means of transport. With this must be read the seventh principle which says nothing should be done that would hinder the development of any particular form of transport, or disguise the advantages it would offer, or discourage its use in order to provide artificial support for any alternative form of transport.

Restrictions on goods transport exist.

117.2. It has been shown in Chapter III (paragraphs 41 and 42) of this report that, while no provision has been made in the Motor Vehicles Act of 1939 and in the Code of Principles and Practice recently accepted by State governments to restrict the choice of *passenger* transport, there are several restrictions on the potential user of long-distance *goods* transport by road. The Committee were, therefore, at pains to examine the present extent of road-rail competition for long-distance goods traffic and the conclusion they have come to is that this competition does not exist at present to any appreciable extent nor will it exist in future, for the reasons given in paragraph 43.6 and for so long as the present high scale of motor vehicle taxation exists and the railways do not add to their route milflage by constructing uneconomic lines or restoring such lines dismantled during the last war.

Railways should discourage short-haul traffic.

117.3. The Committee have even gone so far as to recommend (paragraph 50.3) that, since the railways are "best suited" in the conditions obtaining in India for long-distance transport of goods in bulk, their policy should be to encourage this form of traffic and discourage short-haul traffic where not required for heavy industrial or similar traffic or where other means of transport are available. It follows that many existing short-distance feeder and link railway lines that are not paying their way should be dismantled unless they are required for purposes of defence.

117.4. There is no doubt also that the present high burden of the agglomeration of taxes paid by the motor vehicle user (paragraph 32) is discouraging the use of road transport; but these taxes do not appear to have been imposed with this bias. This question is dealt with along with the Committee's other recommendations on taxation.

There should be no restriction on the carriage of goods by road.

117.5. For the reasons stated above, the Committee are inclined to think that the third and seventh principles described above should be accepted as the basis for the transport policy of the Union and the States in India. It follows that there should be no restriction at all on the carriage of goods by road so long as present conditions persist and that road transport should not be penalized as compared with rail transport by excessively high taxation. As, however, the last few years cover a period of transition and the analysis of trends made by the Committee may be held to be based on a study of unsettled conditions, the Committee recommend that State Governments need not enforce the restrictions imposed by the Code of Principles and Practice (referred to in paragraphs 42.3 and 42.4 of this report and paragraph 7 of **Appendix XV**) during the next three years so long as all purveyors of goods transport are given an opportunity to represent as to the adequacy of other goods services operating or likely to operate in the near future. After three years the position may be reviewed.

The code of Principles and Practice restrictions to be held over for three years

117.6. It is, however, not free from doubt (see **Appendix XIV**) whether it is legal under the Motor Vehicles Act of 1939 for State governments to give any instructions at all, of the nature contemplated in the Code, to their Transport Authorities. If this is the legal position, the Transport Authorities can ignore the Code and grant permits in accordance with the principles accepted by Parliament and laid down in the Motor Vehicles Act of 1939, *i.e.*: on the basis of the traffic offering and the ability of other providers of transport to accept and carry it. The Committee believe that it may be found that action of the Transport Authorities taken strictly in accordance with the provisions of the Act and having regard to the adequacy of other transport services operating may provide a better long term solution of the road-rail rivalry problem than any enforced regulation on the basis of restricted zones or long distance haulage—in any case the Committee believe the experiment can safely be made at the present time and recommend it should be made in the public interest.

And the Motor Vehicles Act amended.

117.7. It is an essential requisite of the application of the principles recommended by the Committee in regard to inland transport co-ordination that the transport authorities must take into account the adequacy of the existing transport services whether they be by road, rail, or inland waterways before deciding on the grant of permits. The Motor Vehicles Act of 1939 restricts the Transport Authority to considering the adequacy of existing road transport services only. The Committee would therefore recommend that the Act be amended as was already agreed to by the Select Committee of Parliament in 1947 in respect to Sections 47 and 55 to provide for consideration of the adequacy of other transport services of whatever kind operating or likely to operate in the near future.

Private Carriers.

118.1. The fourth principle is that transport "for own account" should be unrestricted. The Committee lay great importance on the acceptance of this principle which, interpreted in the language of the Motor Vehicles Act, requires that the grant of private carrier permits will be governed only by the conditions laid down in Section 53 of the Act and not by the restrictions imposed by paragraphs 7(4) and 7(5) of the Code of Principles and Practice (**Appendix XV**) or by any other restrictions except as provided in Section 43(1)(i) of the Act.

Should not be restricted.

118.2. This recommendation of the Committee is based on the considerations: that certain transport services are of such a nature that they cannot show a profit for commercial carriers and their provision cannot therefore be assured; that industrial and agricultural production are not always regular and it is seldom economically possible for the commercial carrier to provide transport services fully adaptable to demands that may vary considerably from time to time; that the producer may have certain requirements regarding the transport of his goods (careful handling, prevention of loss and damage or pilferage, speed of delivery, time of loading to suit his tempo of production, the possibility of his being able to take advantage of a sudden increase in demand, and many such requirements); and that the producer must in the interests of retaining his market have some means of protecting himself against possible excessive costs of transport by public carriers arising from—excessive official regulation; uncontrolled or badly controlled monopoly undertakings; institution

of State monopoly undertakings (which are susceptible to the defects discussed by the Committee in paragraphs 44.3 and 44.4 of the report); and other such causes of excessive cost of public transport.

But permits given on consideration of merit only.

118.3. The Committee feel that the Transport Authorities should grant private carrier permits on consideration of merit only, as provided by Section 53 of the Motor Vehicles Act, without regard to the number of public carrier permits given in the same region or the alternative sources of transport available (factors not listed for the consideration of the Transport Authorities in the Act). In giving evidence before the Committee several producers complained that the grant of private carrier permits was being restricted for extraneous reasons. If this is true, the Transport Authorities were not functioning in accordance with the Act.

This will have a regulatory and beneficial effect.

118.4. The granting of private carrier permits will have a regulatory and beneficial effect on motor transport for, if the user is driven to fall back on any large scale on "transport on own account" it will be a sure sign that the transport policy in force is inadequate to meet his needs. The public interest will be protected by the fact that transport "on own account" must always be much more expensive than well managed public carrier transport since the private carrier can only carry his own goods, (utilized for the purpose of his own business) and can therefore seldom get a return load. It is significant that in the U.K. even when it was evident to the government, (vide Table 18 below), that the proposal to nationalize transport was causing large numbers of producers to apply for private carriers permits ("C" Licences in the U.K.), the Transport Act of 1947 provided for liberal issue of private carrier permits.

TABLE 18

Date	No. of vehicles with "C" licences	No. of transport vehicles with other than "C" licences	Ratio of "C" licenced vehicles to transport vehicles with other than "C" licences.
April 1936.	316,714	143,302	221%
June 1937.	362,380	144,876	250%
June 1938.	365,025	148,122	246%
June 1946.	306,443	140,726	218%
Dec. 1946.	383,738	149,069	257%
Dec. 1947.	487,151	162,295	300%
Dec. 1948.	590,516	156,094	378%
Dec. 1949.	672,301*	129,460*	519%

*Excluding 36,312 vehicles of the Road Haulage Executive and 13,078 vehicles of railways.

Healthy competition

119.1 Considering principles 5 and 6 (paragraph 37.1 *ante*) together it will be seen that in order to encourage "healthy but not wasteful competition" it is necessary to make a nation-wide study of all the elements of the cost of each form of transport in the country. Only after such study would it be possible to place each form of transport on a comparable competitive basis by revising and easing the statutory obligations of each. The Committee would recommend acceptance of these principles. The study would be continuous, since circumstances change with time, and the statutory obligations of each form of transport would be reviewed, and eased if necessary, so that competition between the different forms of transport would always be "healthy".

Certain statutory obligations on the railways should be eased.

119.2. The Committee have found that at present there is no general road-rail competition (paragraph 43.6) but they have suggested the easing of certain statutory obligations of the railways so that they can concentrate better, as they are indeed tending to do at present, on long-distance bulk traffic for which they are "best suited" (paragraph 43.6). They have also suggested the railways should not construct any more non-paying short-length feeder lines or replace any such as were dismantled during the last war (paragraphs 117.2 and 117.3). But the Committee are also alive to the possibility of inefficiency of monopolistic road transport services, especially the State Undertakings in the process of formation at the present time (paragraphs 44.1, 44.3 and 44.7). This question is dealt with in the next paragraph.

State Undertakings.

119.3. After considering carefully all the evidence placed before them with respect to the present State Undertakings, their tendency to charge higher fares (*e.g.* 9 pies in the greater part of Bombay State and 8 pies over the rest against an all-India average of about 7 pies for private undertakings); their tendency in some areas to concentrate on profitable routes, leaving unprofitable routes to private operators; the difficulties experienced in their working owing to their departmentalism (which it will take time to eliminate entirely); and the inadvisibility of permitting these Undertakings to pioneer in the development of new traffic (paragraph 47), the Committee make the following recommendations:—

(1) That no further monopolistic undertakings of this nature should be set up nor should the existing undertakings be further developed until the State concerned is satisfied that it is in a position to provide better road transport sevices, including maintenance facilities, than those provided by the private services already available in any area. The proof that the State service was "better" would be measured (as suggested in paragraph 44.7) by comparing with competitive private services on the same routes or comparable routes in the neighbourhood.

(2) That until passenger road transport services operated by State Undertakings have established their efficiency as in (1), the States should not attempt any large scale development of the road haulage business, and

(3) That a Tribunal should be established with all-India jurisdiction to which complaints against State Undertakings could be preferred in respect of fares and rates charged;

inadequacy of the services provided; or failure to provide balanced services over remunerative and unremunerative routes (for example leaving all the unremunerative routes to private operators and taking all the remunerative routes for the State Undertakings). The tribunal will deal only with matters concerning State Undertakings. The Committee suggest for consideration that the present "Railway Rates Tribunal" could undertake these additional duties as they have at present not many railway cases to deal with. The interests of private operators *inter se* should also be safeguarded under the Motor Vehicles Act, 1939 by having an independent judicial or quasi-judicial authority as the prescribed authority specified in Section 64(g) of that Act. (See also paragraph 40.3 above).

Defence and National Welfare.

119.4. The final principle recommended for adoption by the United Nations requires that the losses incurred on any form of transport—communications maintained for purposes of defence or national welfare should not throw any additional charges on transport users as such. This principle has been accepted to a large extent in India. For example, losses on strategic railway lines are not debited to the railway budget and therefore do not influence railway fares and freights. Similarly, if there is created a roads budget as recommended by the Committee (paragraph 148), it should not be debited with the cost of construction or maintenance of strategic roads or with any roadwork undertaken otherwise than for reasons of the economic development of the country.

Transport Policy in other countries.

Policy in the U.S.A and the U.K. contrasted.

120.1. The Committee made an attempt to ascertain the inland transport policies being adopted by other countries. They had only time, however, to examine in any detail the position in the United States of America and in the United Kingdom. It appears that the United States have generally accepted the policy recommended in paragraph 37.1(7) above. The United Kingdom appears torn between acceptance of this policy (as advised* by its Transport Advisory Council in 1937) and a policy that may be forced on the country in the process of giving effect to the requirements of the Transport Act of 1947, namely,

> "to provide, secure, or promote the provision of an efficient, adequate, economical, and properly integrated system of public inland transport and port facilities within Great Britain, and to extend and improve that system."

Sir Cyril Hurcomb of the British Transport Commission created under that Act said, in a speech in March 1950 when referring to the

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*The United Kingdom Transport Advisory Council, in its Report on Services and Rates published in 1937 recommended that:—

> "The best line of approach to achieve co-ordination is to *aim* at securing for traders adequate alternative facilities, *care being taken to see that the resultant competition is on fair terms*, and that there should be an unfettered right on the part of the trader to select the form of transport which he approves and which is most convenient and economic for his purpose" *Italics* by the Committee).

integration of inland transport now taking place in the United Kingdom, that there were two conceptions on integration in sharp contrast to one another. One was that trade and travel as a whole should meet the cost of the unified provision of essential public transport services without necessarily making identical contributions to overhead capital charges. He claimed this was the principle embodied in the Transport Act of 1947. The other conception was that quoted in paragraph 37.1(7) which says there should be no artificial support for alternative forms of transport and that to give such support would mean the achieving of co-ordination by maintaining the *status quo*—a static rather than a dynamic conception.

Policy recommended by the Committee.

120.2. The first conception would mean, translated into terms applicable at present to India, that road transport should contribute towards making up railway transport losses, if any (as is happening in the U.K.). The second conception would ultimately lead to the controlled elimination through competition of obsolete and obsolescent forms of inland transport. Having both these concepts in mind, the Committee have advised acceptance of the second in the conditions prevailing in India at the present time. They have explained that there is at present no noticeable road-rail competition in India largely because the railway route mileage is relatively small although sufficient† to meet the country's needs and also because Indian motor transport is the highest taxed in the world and cannot compete with the railways.

Railway mileage in India generally sufficient for the present.

120.3. The Committee have accepted that there should be no extension of railway mileage except what might be required to meet the needs of long-distance or heavy industrial transport for which the railways are "best suited" nor have they recommended any appreciable reduction in the immediate present in motor vehicle taxation, other than in some of the recently imposed protective tariffs, so long as the roads get their fair share of the proceeds of this taxation. The position can be reviewed when there are any signs of "unfair" competition between road and rail traffic but the Committee believe that if their recommendations are accepted there will always be controlled and "healthy" competition and that India will be well set on the path to achieve co-ordination of inland transport by dynamic rather than static methods, by allowing controlled competition to keep all forms of transport up to the mark so that each will aim at and achieve a full measure of technical and administrative progress. The Committee believe that, if "healthy competition" were eliminated, every form of inland transport would begin to stagnate and become inefficient.

†Generally speaking the route mileage of railways in India is sufficient at the present time; what is lacking is sufficient railway engines, wagons, carriages and other facilities for making full use of the existing mileage. The following figures are of interest in this connection.

Country	Net ton-miles of goods traffic per route mile per annum.					
	(In millions)					
	1948	1944	1938	1934	1928	1924
U. S. A.	3·006*	2·754	1·046	0·945	1·497	1·519
U. K.	1·089	1·230	0·813	0·802	0·874	0·937
S. Africa	0·845§	..	..	..	..	..
India ‡	0·672	0·702	0·539	0·480	0·541	0·566

..Not available.
*Relates to 1947.
§Relates to 1946-47.
‡Figures relate to year beginning 1st April of the year stated.

The conclusions of the Committee regarding policy.

121. The conclusion of the Committee therefore is that all the principles recommended to the United Nations for acceptance could (subject to the considerations mentioned in paragraph 36.4 above and duly taken into account in Chapter VIII) be accepted as the basis of a common transport policy throughout India. In fact, most of these principles have long been accepted in this country though there has been some lack of clear thinking on others. Acceptance of the principle on the lines suggested by the Committee would, to recapitulate, first involve the following action:—

(1) Creation of Associated Transport Advisory Councils by the Centre and the States (para. 116.2);

(2) Implementation of the principle, already accepted by the Centre, that railways are "best suited" for long distance bulk transport,—

(a) By a Railway policy designed to develop this kind of traffic and to discourage traffic for which road transport is "best suited" (para. 50.3);

(b) By dismantling non-paying branch railway lines wherever such dismantling will not unreasonably hamper transport of passengers or goods or make their transport unduly costly as compared with average motor vehicles transport costs elsewhere (para. 117.3.);

(c) By refraining from applying the restrictions laid down in the Code of Principles and Practice—for a period of three years in the first instance (paras. 117.5 and 117.6); and

(d) By amending the Motor Vehicles Act as already agreed to by the Select Committee of Parliament in 1947 with the object of requiring Transport Authorities to consider the adequacy of other transport services of whatever kind operating, or likely to operate in the near future, before granting fresh permits for road transport.

(3) Non-interference with the discretion of State Transport Authorities to grant private carriers permits under Section 53 of the Motor Vehicles Act (paras. 118.1 to 118.4);

(4) Modification of the present policy of creating State Transport Undertakings, on any large scale or expanding such existing undertakings until they are in a position to run efficiently as measured by the efficiency of private undertakings run on the same routes or equally "profitable" routes in the neighbourhood, and the creation of an all-India Tribunal to which complaints against State Transport Undertakings could be referred, [para. 119.3(3)]; and

(5) Adjustment of Central and States taxation policies so that the transport user as such should not be called upon to pay the expenses of implementing any extraneous Central or State (defence, welfare, prohibition, resettlement, etc.), policy. In other words, the general taxpayer and not the transport user as such should pay for the cost of implementing defence, welfare, or any other general policy.

CHAPTER VIII—RECOMMENDATIONS:

MOTOR VEHICLE TAXATION

Scope of Chapter VIII.

122. The Committee here discuss their detailed recommendations on taxation. Before setting these out in full, however, they still have to comment on several matters that have a bearing on their proposals. These will be discussed along with the proposals as they are brought forward. Although this method may lead to the spreading out of the recommendations over several paragraphs, the Committee feel a better appreciation of the pros and cons will be obtained if certain subsidiary matters are discussed along with the proposals themselves.

Comment on the existing taxes.

123. It is perhaps desirable before discussing the proposals to recapitulate a little. The Committee were asked to recommend a "fair basis" of taxation of the motor vehicle user. In previous chapters of this report, they have endeavoured to show that the main fault with the present taxes on the motor vehicle user is that the taxes are not based on any clearly defined principles or any accepted transport policy. In paragraph 32.1 and **Appendix X** the Committee have shown that the average 3½-ton lorry pays, in Central and State taxes alone, an amount per ton-mile on the goods it carries that is twice as much as the ton-mile total average cost (railway working expenses including taxes) of carrying goods by rail; they have quoted a case in **Appendix V** where a 30-seater bus paid Rs. 10,024 in taxes in a year; they have called attention to the high (and unfortunately ever-growing) rates of local taxation in some States and to the regressive nature of this taxation (paragraphs 28.2 and 28.5) ; they have shown in **Appendix VI** the taxes payable by typical vehicles in the larger States; they have commented on the evils of the lack of reciprocity between States (paragraphs 25.1 to 25.6); and, finally they have discussed in paragraph 112.2 how, in the absence of a common transport (and taxation) policy, the motor vehicle user is being left to the mercy of three rival taxing authorities, Central, State, and Local, each concerned primarily with the collection of revenue.

Taxation must be based on an agreed transport policy.

124. There can obviously be no "fair basis" of taxation of the motor vehicle user and no "scientific scheme of taxation designed to ensure the provision and development of cheap, rapid, and efficient transport for the various categories of users by the means best suited for the kind of traffic involved" if each taxing authority in India is merely concerned with collecting as much revenue as possible from the motor vehicle user. The Committee have therefore advised that the Union and State governments accept a common transport policy, the same policy that has been recommended for acceptance to the United Nations, and they have shown that under Indian conditions as they exist at present this policy, if given effect, will achieve the objectives described in the Committee's terms of reference and quoted above. *In its taxation aspect, this policy requires that there should be within reasonable limits no discrimination in the taxes imposed on the different classes of users of transport.*

A "fair basis" of taxation.

125. The Committee therefore recommend that the motor vehicle user as a general taxpayer should be taxed to no greater extent than the railway user as far as contributions to general revenues, whether Central or State, are concerned. This presupposes that any relief in the shape of reduction of taxes below present levels will be passed on to the ultimate user in the form of a reduction in fares and freights. The motor vehicle user will, under this recommendation, be required to pay in addition to his contribution to general revenues as described above only two charges, namely, the operating cost of the vehicle he uses and the cost of upkeep of the roads over which the vehicle runs—the latter contribution may in a sense be regarded, as is claimed by one authority* to be the case in the United States of America, not as a tax but as a toll, fee, or rent, for the use made of the roads. In the following paragraphs, the Committee endeavour to show what would be the result of giving effect to this principle or basis of taxation.

States' Taxes

Only two taxes to be levied by the States.

126. In the immediately following paragraphs the system of taxation recommended for adoption by the States is first discussed on general lines, the detailed recommendations being consigned to later paragraphs. The Committee recommend that there should be only two taxes imposed by the States on the motor vehicle user, a States' fuel tax and a States' motor vehicle tax, all other taxes, State or Local being abolished.

The States' Fuel Tax

The Fuel tax the best form of road user tax.

127.1. The Committee consider the fuel tax is the best form of road user tax having regard to the facts, that fuel consumption is a definite measure of the use made by vehicles of the roads and that the tax is easily collected at negligible cost. The Committee have commented adversely and at length in this report on the multiplicity of taxes (often small but usually extremely vexatious and costly to collect) levied by some State and Local authorities, and they recommend that all these taxes, except as explained below, should be abolished and replaced by a single fuel tax.

And should replace many miscellaneous taxes.

127.2 The States' fuel tax should replace all wheel taxes; terminal taxes; town duties; octrois; cesses and similar levies; "entrance" fees and taxes; tolls (except as described below); and taxes on passengers and goods carried by road. All such taxes should be abolished as regressive, difficult and costly to collect, inconvenient to the taxpayer, uncertain in their incidence, or demoralising to the electorate as explained in paragraph 31. The sales tax on motor spirit should also go as it will be compensated for by the States' fuel tax. Sales taxes on motor vehicles and the commodities required for their maintenance and working (except motor spirit) would remain along with other sales taxes but the rate should not be higher than that fixed for non-luxury goods. The only tolls that would remain would be those charged at ferries (but the rates should be reduced so that the toll becomes a fee just sufficient to pay the cost of providing the ferry, with no margin of profit) and tolls levied on new bridges when the proceeds of these are required to redeem loans taken for constructing the bridges; the tolls being abolished as soon as the loan is paid off.

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*The following is a quotation from "Public Finance" by A. G. Buehler, McGraw-Hill 1948 edition page 30—

"Some of our so called taxes, such as those levied on gasoline used on the highways..... may really be fees or rates for specific services".

127.3. In making this recommendation, the Committee wish to make it quite clear that they are concerned with simplifying the present system of taxing the motor vehicle user. They have proposed a fuel tax, the cost of collection of which will be negligible, and this tax is to replace a host of petty and vexatious taxes many of which offer considerable opportunities for fraud and harassment and are in any case generally costly to collect. The object aimed at by the Committee will not be achieved if any of the taxes recommended for abolition are retained or if the States' fuel tax is regarded simply as an additional levy on the motor vehicle user.

The object being to simplify the present taxing system.

128.1. In giving effect to this recommendation the following would have to be considered—

Effect of abolition of certain local taxes.

(1) All town duties, octrois, and terminal taxes on goods carried by road would have to be abolished;

(2) Some local bodies might have to be given grants-in-aid by the States for any loss of revenue which they cannot reasonably make up by direct taxation;

(3) The necessity to make a clear distinction between taxes and fees; and

(4) The method of collecting the recommended consolidated States' fuel tax and distributing the proceeds among the States.

These matters are discussed in the following paragraphs.

128.2. Considering (1) of the previous paragraph, the Committee appreciate that octrois and terminal taxes are meant to be taxes on local consumption and therefore should not bear the stigma of transit dues. Even so, these taxes on essentials offend against the tax principle of "ability" as they do not proportion the burden to the means of the payer. Apart from this consideration, however, it will perhaps not be practicable to abolish octrois and terminal taxes on goods entering an area in motor vehicles and retain them on goods entering by other means of road transport or by rail. If all octrois and terminal taxes are abolished (and the Committee recommend this as sound in principle and appropriate in a country that claims to be progressive) the local bodies concerned will have to find some other sources of revenue or be given grants-in-aid as suggested in (2) of the previous paragraph when other sources do not give a sufficient yield. The same remarks apply to the other taxes recommended for abolition. In assessing the quantum of relief due consideration would have to be given to the fact that, over quite half the area of India, octrois, terminal taxes, cesses in the shape of transit taxes, and all such "objectionable" taxes were long ago abolished. The following Table compares the tax position in 1946-47 in the administrations now called Part A States. [Later figures were not available to the Committee but they have reason to believe that the incidence of what they have called "objectionable" taxes has continued to increase since 1947 in some States.]

Assistance to be given to local bodies where justified.

TABLE 19.—MUNICIPAL TAXES IN 1946-47.

States	No. of Municipalities	Municipal taxes per capita incidence in rupees of				States taxes per capita incidence in rupees in	
		collected income	Direct taxes.	Indirect taxes & transit dues.	Govt. & other grants.	1946-47.	1949-50
A. States levying Octrois etc.							
Uttar Pradesh.	86	8·5	4·1	4·4	1·7	4·3	8·5
Punjab.	60	4·8	2·8	2·0	0·4	4·9	12·8
Madhya Pradesh.	82	7·7	5·6	2·1	0·6	5·6	8·4
Bombay	130*	9·4	7·7	1·7	1·4	15·3	18·8
B. States not levying octrois etc.							
West Bengal	75†	4·2	4·1	0·1	0·9	5·4	14·4
Bihar	57	3·6	3·6	..	1·2	3·7	6·6
Orissa	8	8·4	8·3	0·1	0·05	3·1	7·5
Madras	81‡	9·4	8·5	0·9	1	8·3	11·0
Assam	13	7·3	7·3	0·01	1·5	4·9	10·6

* Excluding Bombay Municipality.
† Excluding Calcutta Corporation.
‡ Excluding Madras Corporation.

Note.—The detailed figures from which the above noted per capita incidence of taxes have been calculated are given in ***Appendix XVII.***

128.3. The figures given in Table 19 are not directly comparable as conditions differ greatly from State to State. It is, however, worth noting that the municipalities in Uttar Pradesh and the Punjab collected about half their revenues by indirect taxation in 1946-47 (and probably collect a greater percentage now) while those in the South and East of India collected very much less or nothing at all from this source. The figures in **Appendix XVII** indicate that the incidence of taxes on houses and lands in the municipalities of the South and East of India are generally from twice to six times as high as in the North, Centre and West. These facts would have to be considered before deciding on the aid given to them, *i.e.* the extent to which the latter municipalities can legitimately reimburse themselves by what is generally regarded as more equitable forms of local taxation having regard to the benefit derived by local property owners than transit and indirect taxes. It will probably be found that the grants-in-aid required will be relatively small if correct principles of taxation are adopted by the local bodies concerned. The following figures give the percentage of government grants to local bodies in the years shown:—

As measured by applying the "ability principle".

TABLE 20

Government grants as a percentage of the total income of Local Bodies.

Province or State.	MUNICIPALITIES						DISTRICT BOARDS				
	1894–95	1909–10	1920–21	1929–30	1939–40	1946–47	1895–96	1909–10	1920–21	1929–30	1939–40.
Bengal	3	18	10	16	6	15	9	25	24	30	28
Bombay	7	14	14	9	6	12	21	37	60	59	20
Madras	15	13	22	13	10	8	4	13	29	35	34
U.P.	1	5	8	6	5	16	30	27	36	44	42
Punjab	6	5	9	10	5	7	2	25	37	51	45
C.P.	4	9	10	9	4	7	14	29	49	39	29
Assam	13	23	33	21	16	10	20	57	53	52	38
Bihar & Orissa.	—	—	31	24	—	—	—	—	6	33	—
Bihar	—	—	—	—	19	25	—	—	—	—	34
Orissa	—	—	—	—	17	—	—	—	—	—	49

128.4. It is pointed out by the Taxation Enquiry Committee of 1924-25 that in India one item of property that pays less than any other towards the support of the State is land within town limits. The tax rate on the houses or houses plus house sites which frequently exceeds 100 per cent. in England nowhere amounts to as much as 25 per cent. in India. These figures between England and India are not quite comparable but it is undoubtedly true that taxes on "houses & lands" (See **Appendix XVII**), are comparatively low in India even in the South and East (25 per cent.) where municipalities do not rely on indirect taxes and are insignificant (7 per cent.) in the rest of India. In the United States of America the local property taxes in the year 1946 amounted to 4,000 million dollars which was almost equal to the total taxes collected by the State governments. It would be seen that in the advanced democracies the principle of "ability" is vigorously applied so that the tax burden is proportioned to the means of the payer. In India house rents and property values do not always indicate "ability" and therefore property tax may not be the only answer but it should not be beyond the ingenuity of a truly democratic local administration to devise direct taxes in accordance with sound and equitable principles.

The property tax in various States compared.

128.5. The modern trend everywhere is for the States to make grants out of general tax revenue to local bodies but taxation of property and professions is being increasingly left to those bodies. The reason for this trend is obvious in the context of the ever increasing calls on the resources of all governments, Local, State, or Central, arising from the modern conception of the Welfare State. If local bodies were left free to impose taxes of all kinds, there would undoubtedly be overlapping, the evil consequences of which are well known. When taxes were very light, overlapping did not matter much but as taxation becomes heavier, there is increasing need to relegate certain sources of revenue exclusively to each taxing authority. In the United Kingdom and the United States of America, property taxes are now almost exclusively local. The local authority, if truly democratic, is best fitted to assess and levy this tax which is so essentially a local matter. The Constitution of India, as mentioned in paragraph 114.1, above, gives the State governments power to constitute and delegate functions to local bodies and it seems clear that the modern welfare policies of these governments and the expenditure entailed will increasingly compel them to restrict the taxing powers of local bodies. The recommendations of the Committee that octrois and terminal taxes and tolls should be abolished is in accordance with modern trends. The abolition of these impositions is, the Committee believe, inevitable. They would urge, however, that State governments should abolish them soon because, as pointed out in Chapter II of this report, there has been recently a regressive trend and these impositions have been growing, especially in the States in the Northern and Western half of India. The bigger these impositions are allowed to grow, the harder it will be found to make adjustments when the inevitable abolition takes place.

Property taxes should replace octrois and terminal taxes.

129. Considering (3) of paragraph 128.1, the Committee recommend that for the purposes of motor vehicle taxation, fees and taxes should be carefully distinguished, *the fees being restricted in amount to cover the cost of services rendered only.* Thus, fees would be levied for registration of motor vehicles; change of registration; inspection, including the cost of giving certificates of fitness; driving licences; permits for transport vehicles; conductors' licences; granting

Fees to be restricted in amount to cover the cost of services rendered.

duplicate certificates; etc. The amount of the fees would equal the cost of administration and of granting the registration certificates, or the cost of inspection plus the cost of the certificate of fitness, or the cost of testing a driver and granting a driver's licence etc., or the cost of granting duplicate certificates etc. If the cost of enforcement of the Motor Vehicles Act which requires an adequate administrative machinery, is to be recovered from the motor vehicle user, it could be recovered by suitably increasing the registration fee having due regard to the fact that much of the cost of enforcement is recovered in fines under the Motor Vehicles Act. It follows that the owners of private cars and other vehicles will under this recommendation pay both a registration fee and a vehicle tax, the fee to cover the cost of giving the registration card or book and some part of the cost of enforcement of rules, and the tax to cover the cost of the roads used or available to the motor vehicle. The Committee have shown in **Appendix VII-C** the present fees (as far as these could be ascertained) levied throughout India. The wide differences existing between State and State indicate that fees are not at present being levied on a comparable basis; in some States they appear too high and in others too low. Although exact uniformity or equality is perhaps not necessary, the application of commonly accepted principles would bring greater uniformity and give confidence to the taxpayer that there was some method underlying the calculation of the amount of fees he was being asked to pay.

Method of collecting the States' fuel tax.

130. With regard to (4) of paragraph 128.1, the method of collection of the suggested fuel tax (the tariff is discussed later), the Committee recommend that the tax should be uniform in all States and be collected by the Centre as a surcharge on the Central duty on motor spirit, the amount assigned to each State being earmarked for expenditure on roads along with a Central "matched" contribution (to be discussed later) and being computed so as to be proportional to the consumption of motor spirit in each State as ascertained from the consumption figures supplied by the oil companies based on the sales from individual petrol pumps or by individual dealers. (This method has been adopted during the last 20 years in calculating the allocations due to States from the Central Road Fund.) The surcharge on the duty on motor spirit would be levied by the Centre on the authority of an agreement between the States and the Centre and this agreement would make it quite clear that the moneys collected were State moneys earmarked for expenditure on State roads and not available for expenditure for Central purposes. The moneys would first be paid into the Central Road Fund and then distributed to the several States' Road Funds (to be created) as described above.

The States' Motor Vehicles Tax

Basis of assessment of the States motor vehicle tax.

131.1. In addition to the fuel tax described in paragraph 127 above (to be collected by the Centre and paid to the States) the Committee recommend there should be levied by the States themselves a single tax, to be called "the States motor vehicle tax". The tax should be assessed as follows:—

On motor cars	on unladen weight.
On goods vehicles	on laden weight.
On buses	on seating capacity.
On luxury vehicles	a luxury surcharge.

and the proceeds should be paid into the States' Road Funds (to be created).

This basis of taxation (except for the luxury surcharge) was first recommended for acceptance by the Transport Advisory Council in 1936 and the advice was repeated by the Technical Sub-Committee to the Subject Committee on Road-Rail Relations in 1943, (paragraph 21.1. above). The same basis was accepted (except in a few cases for the luxury surcharge) by nearly all those who replied to the Committee's questionnaire or gave oral evidence.

And le of asses

131.2. It would facilitate inter-State trade by road, reciprocity with respect to motor vehicles as between States, and all-India co-ordination of all forms of inland transport, if the level of assessment of the proposed "motor vehicles tax" were the same in all States. In accordance, however, with the principles (particularly Nos. (6) and (8) in paragraph 37.1; 119.1; and 119.4; above) that have been recommended for acceptance by the Committee as the basis for an all-India inland transport policy, the charges (fares and freights) for each form of transport should broadly reflect the cost of providing the service. For road transport, the cost of the service is obviously made up primarily of operating costs plus what is due to the State from the motor vehicle user for the wear and tear he causes to the roads and for road availability, otherwise "road rent". The "road rent" due from the motor vehicle user and hence the amount of the "motor vehicle tax" and other taxes to be levied may differ from State to State depending on, the cost of maintaining roads in each State, the number and types of motor vehicles per mile of road, and many such factors. If there are big differences, there may have to be corresponding differences in the levels of assessment of the motor vehicles tax and this would conflict with the desirable requirement that the charges for each form of motor vehicle transport should be more or less the same throughout India just as railway fares and freights are the same throughout the country. The position is examined in paragraph 145 below.

The Practical Effects of the Recommended Taxes.

Matters fo consideration

132.1. Before discussing Central taxation the Committee think it would be advisable to comment on certain administrative and budget matters concerning roads, (roads are the portion of motor transport supplied by government) and the practical effects on motor transport of the taxation measures ultimately adopted.

Expenditure on Roads.

State *versus* Central expenditure on roads.

132.2. In considering expenditure on roads, the Committee have been obliged to confine their attention to the total disbursements, Central and State combined, on roads in Part A States only because of the lack of statistics relating to the newly formed Part B and Part C States for which statistics were not fully collected in the past when the individual units composing them existed as separate entities. Since, however, the number of motor vehicles in and the revenue (and expenditure on Roads) of the Part A States amount at present to about 75 per cent. of the total of all the States and since it is hoped all States will soon fall into line with the Part A States, the Committee consider the conclusions drawn and the recommendations made in the following paragraphs, although based on statistics relating to only 75 per cent. of the whole field, should have general application throughout India. As shown in **Appendix XI** and paragraphs 23, 33.1, and 114.2, the Central and State revenues collected from the motor vehicle user and the expenditure on roads in the Part A States compare as follows:—

TABLE 21.

[Part A States—Year 1948-49]

(in Rupees Lakhs)

Item	States	Central	Total	Remarks
1. *Revenue*	692·39‡	1434·40*	2126·79*‡	*Rs. 200 lakhs Road Fund receipts are excluded and Road Fund expenditure is also excluded.
2. *Expenditure* :				
(1) Maintenance	934·45	233·95		† Capital expenditure on roads is excluded in this comparison of expenditure against revenue.
(2) Original Works.	465·84	Nil †		
	1400·29	233·95	1634·24	

NOTE :—Capital expenditure is to be repaid by posterity who are the principal beneficiaries.

‡ The above figures do not include the luxury element of States sales taxes where these taxes are levied on a "luxury" scale.

It will be seen that the Centre collected Rs. 1434·40 lakhs revenue from the motor vehicle user in Part A States alone excluding Road Fund collections, and spent Rs. 233·95 lakhs on roads again excluding Road Fund expenditure, while the States collected Rs. 692·39 lakhs revenue from the same source and spent Rs. 1400·29 lakhs on roads. [The Road Fund revenue and expenditure figures are commented on in a subsequent paragraph.]

Criticism of the existing allocation of the proceeds of taxation.

132.3. The Committee heard from witness after witness considerable criticism of the present system of allocation of the proceeds of the taxation referred to in the previous paragraph. It was claimed that progress on the execution of the road plans (which were already meagrely provided for in the over-all development financed from Capital) had been extremely slow because the States had to find so much money from sources other than taxation of the motor vehicle user merely to maintain the roads and could not therefore provide sufficient for "normal" development from State revenues. It was even claimed that maintenance had been neglected while the Centre contributed very little but made a "profit" in 1949, for example of Rs. 1200 lakhs from the motor vehicle users in the Part A States alone. These witnesses maintained that all funds collected from the motor vehicle user should be spent on roads as in the United States of America or, at least, that the motor vehicle user as such should not contribute more in proportion to general revenues than the user of the railways.

132.4. This criticism has, however, to be weighed after taking due account of the considerations that under the Constitution the subject "Roads" is purely a State subject over which the Central government cannot exercise authority or control except in respect of The Constitutional position.

(1) Highways declared to be national highways, (item 23 of List I of the 7th Schedule),

(2) Other roads covered by Central grants under Article 282, and

(3) Road communications declared to be of national or military importance under Article 257 (2).

Rent for use of roads.

133.1. The Committee however feel there is some justice in the criticisms they heard of the present unsatisfactory position with respect to expenditure (other than capital expenditure) on road development and maintenance. The present taxation policies of the Central and State governments do not conform to their overall policy of developing road transport as a great national enterprise whose progress must be maintained on sound commercial principles. To give effect to their major policy, these Governments should regard themselves as partners in all road transport undertakings, for it is the governments who supply the roads, the main capital asset of national importance. Well managed road transport even if not government owned can be made directly remunerative from the share the government takes on profits and even, if need be, on turnover, but the indirect benefits to the economy of the country are immeasurably greater. It is therefore in the interests of government to supply good roads and to charge the other partners, the transport operators, a fair rent for the use they make of the roads, in the shape of a direct tax on the motor vehicle and the fuel etc. used for its working, the incidence of which will be passed on to the user. Looked at from this angle, these taxes are road rents and have nothing to do with the taxation considered as a "payment by the public for the support of government" since the road transport user pays such taxes already as an ordinary citizen. Government provides the road and is therefore a partner in motor transport.

133.2. Before the advent of the motor vehicle, the roads were used by bullock carts, pedestrians, palanquin bearers, horse traffic, etc. In ancient days, most roads were built primarily for administrative and what is now called "defence" reasons, to enable the ruler to maintain law and order (and collect his taxes) throughout his domain. The Grand Trunk Road from Peshawar to Calcutta is a case in point. Whenever government was stable, and settled conditions prevailed, roads were used by all and sundry, for trade, for access to property, and for community purposes in general. It was, however, never then possible to isolate and charge any particular user a rent for the use he made of the roads so that road maintenance (and construction) was a charge on general revenues to which the community contributed. With the advent of the motor vehicle, conditions changed. The motor vehicles demanded more substantial roads than were ever required before and, in most modern countries, the taxes paid by the motor vehicle user came to be regarded as a contribution directly for the use he made of the road and more or less in proportion to that use. Community use of roads.

The motor vehicle user after paying all transport charges, to be taxed the same as the railway user.

133.3. This use can be measured in India on somewhat the same principles as it is measured in several other countries. Reference has been made in paragraphs 33 and 34 of this report and in Chapter VI (which deals with taxation measures in foreign countries) to the methods of measurement adopted elsewhere. Of the two methods considered, that described in paragraph 33.2. would debit the road user with interest charges on all expenditure on road construction and improvement since 1914 when motor vehicles first began to use the roads in appreciable numbers. If this method of adjudging the contribution to be made to Central revenues were considered reasonable (and this is the method adopted by the Indian railways) the Centre would be found to have been overpaid to the extent of some Rs. 9 crores in 1948-49. If, on the other hand, the methods advocated by the Salter Committee of 1932 were adopted (paragraph 34 above) the Centre would be found to have been overpaid by about Rs. 10 crores. The Committee consider that of the sum total of taxes the motor vehicle user is required to pay in India, the portion taken to general revenues should be (except for the proceeds of the luxury element in the general taxes) not more than the railway user is required to pay, as calculated by the first method described above, the basis of comparison being suitably adapted to the method followed in working out railway contributions to general revenues after making allowance for the capital and working expenses account. The balance of the tax revenue collected may then be considered as "road rent" and the proceeds should be made available for expenditure on roads.

Lapse of Grants

The system of "lapse".

134.1. Many witnesses also attributed the slow progress on road development and the present bad condition of roads in India to the budgetary system adopted by the Central and State governments whereby grants are given for road works on a yearly basis, unspent money lapsing at the end of the financial year. Under this system, money can be withdrawn as an "economy measure" during the year from any allotment, including those for road works, when there is financial stringency. Money has so been withdrawn in the recent past regardless of the effect of slowing down of execution of work or of the loss of assets thereby entailed. Also money can be, and has frequently been, allotted late in the financial year so that hurried and uneconomical work is often undertaken to avoid "lapse of grant". Under this system of annual allotments there is never any certainty that money lapsing one year will be forthcoming in the next and, as explained by the Committee in paragraph 74, the whole procedure leads to considerable waste and uneconomical working. This criticism applies even more strongly to State expenditure on roads which, despite the uniform obligation on the States for regular road development and maintenance, has also tended to be spasmodic.

No true economy.

134.2. The Committee appreciate the desirability for elasticity in the revenue raising measures of Government and the objections to statutory earmarking for particular purposes of general tax receipts. They can also sympathise with Government when they have to impose "economy cuts" in the context of a deficit budget but they feel that the difficulties at present being experienced in India in the matter of road development are due to an antiquated approach to the problem of road transport and they cannot condemn too strongly

the policy of indiscriminate reduction in development expenditure on roads, and therefore on road transport—a reduction which inevitably passes on to the tax-payer in repair bills and delays arising from bad roads (see paragraph 71.2) many times the amount of the savings realised in the shape of higher transport charges.

The Central Road Fund

Grants from the Central Road Fund do not lapse.

135.1. The Committee have referred on several occasions in this report to the Central Road Fund. This Fund was created in 1929 by a special resolution of the Central Legislature of those days and the proceeds have been applied since then on continuous programmes of road development in the States. The grants from the Fund to the States are non-lapsing and consequently it is claimed the Fund has been practically the sole stable sources of **planned** road development in India during the last 20 years, all other development having generally been spasmodic as it depended on budget fluctuations. (See also paragraphs 69.1 and 74).

But are now relatively small.

135.2. The money available from the Fund each year, however, is relatively very little and is now a much smaller proportion than before of the road development budgets of the States which have shared in the general increases in taxation while the tax source financing the Fund (2½ annas of the duty on motor spirit) has remained constant since 1931. In the meantime the duty itself has been increased from a total of 6 annas (4 annas to general revenues and 2 annas to the Fund) in 1928-29 to 15 annas at the present day. (See paragraphs 10.4 and 10.5 above).

135.3. At present the Fund exists in three parts—

The present form of the Fund.

(1) **The Fund proper** consisting of 80 per cent of the total receipts from the 2½ annas contribution from the tax on motor spirit. From this, allocations are made to the States for expenditure on approved road development programmes, the total amounts allotted being in proportion to the motor spirit consumption in the individual States,

(2) **The Road Fund Reserve** consisting of 20 per cent of the receipts mentioned in (1) above. From this, allocations are made to the States at the discretion of the Centre, and

(3) **The Road Fund Special Reserve** made up of contributions for designated road works from the budgets of the Defence, and other Ministries of the Centre.

As already mentioned, the allocations from the Fund do not lapse and construction work can therefore be carried out according to a definite programme.

135.4. There has as mentioned in paragraph 132.3 above been considerable criticism, with which the Committee agree, of the present system under which the Centre earmarks no more than the small sum of 2½ annas out of the tax on motor spirit towards road development and of the consequent poor progress on the execution of the State road development plans. The recommendations of the Committee in this matter are contained in paragraph 143.2 below.

Practical effects of Taxation Measures

Road transport problems not peculiar to India.

136.1. Fiscal problems relating to roads and road transport are not peculiar to India. They have been met and largely solved in other countries where motor vehicle transport has developed much faster than it has done in India as shown in graph No. 1 page 11 and paragraph 15.2 above. This may be due to the fact that in those countries the governments have taken a more direct and active interest in the development of their road communication systems.

But still to be solved in India

136.2. It is only in the present century that, abandoning a policy of *laissez faire*, governments all over the world have taken an increasing interest and hand in commercial enterprises. Previously the emphasis was almost entirely on taxation and regulation but since government ministries have begun to study economics and to come into close contact with commerce and industry, they have become increasingly aware of the *practical* effects of their taxation and regulatory measures on industry as distinct from their effects on government revenues. In India, however, motor buses and lorries and the commodities required for their maintenance and working are still classed as "luxuries" and the import duty payable on them (which stood recently at 30 per cent. (standard rate) and now in effect averages 75 per cent. or so, except for motor spirit where the duty is 105 per cent.) compares very unfavourably with the 30 per cent. general revenue duties and the special rates of 10 per cent. duty on the "non-luxury" railway engine and from 15 to 18¾ per cent. on components and ancillary materials required by the railways.

The difference between tariffs at the standard rate and at higher rates to be credited to the Central Road Fund.

136.3. It has been mentioned in the previous paragraph that the "standard rate" of tariffs on goods that are not classed as luxuries is now 30 per cent. *ad valorem* although there is a very large range of commodities (including commodities required by the railways) taxed at much lower rates. The standard tariff presses very heavily on the motor transport industry when the tax is wholly unrequited (that is, when none of the proceeds is set aside for expenditure on roads) because a very large percentage of the working costs of the industry is at present consumed in paying for imported commodities. With the development of the Indian motor manufacturing industry, these imports will decrease but in the meantime the motor vehicle user is unfairly placed as compared, for example, with the railway user. If protective tariffs are imposed, the burden on the motor vehicle user will become still greater unless part of the duties are considered as a "road rent" (paragraph 131.2). In that event the Committee consider that inequity as a partial offset, an amount, equal to the proceeds of any tariff imposed beyond the "standard rate" and credited to the Central Road Fund for expenditure on roads would be a fair assistance to the road user (paragraph 144.1). The Committee have drawn attention in several paragraphs of this report to the advantages of having a non-lapsing fund providing a steady source for expenditure on roads and any credits to the existing Central Road Fund would be of great ultimate advantage to the motor vehicle user.

Detailed Tax Recommendations.

137. The recommendations of the Committee contained in the paragraphs from 122 to 136 above are based on the fundamental principles that healthy (but not wasteful) competition between different forms of trapsport is to be encouraged by placing each form *on a comparable competitive basis*, and that the transport user *as such* should not be called upon to pay for defence, welfare, or other national policies. [See paragraphs 37.1(6) and (8)]. If there is to be proper competition between road and rail transport (competition that will serve to keep both efficient), both should be taxed equally. In this respect the Committee consider the present transport policy of the Central and State governments is faulty. It remains for the Committee to give an indication of the scale of taxation that would result from an acceptance of their recommendations and the resultant position with respect to revenue and expenditure on roads. Tax recommendation based on acceptance of the suggested transport policy.

Central Taxes

138. The Committee recommend that the sources of central taxation should remain as at present but that the tariffs on motor vehicles and the commodities required for their maintenance and working (except motor spirit) should be reduced to the level at which they stood before the 1st March, 1950. Changes to be made in Central Taxes.

(1) *The Central Tax on motor spirit.*—Having regard to the minimum finance required for road development on any planned basis (see paragraph 75), the Committee recommend that until road communications are better developed than at present, no change should be made in the present basic duties of customs and excise on motor spirit. Of the revenue collected from this source, however, the Committee recommend that so much of the proceeds as is represented by seven annas of the tax be paid into the Central Road Fund to match the State fuel tax [surcharge referred to in paragraph 140(1) below]. Of the amount so credited, a portion represented by 2½ annas of the tax will continue to be administered under the Central Road Fund rules as at present and the balance representing 4½ annas of the central tax will be transferred along with the proceeds of that tax or surcharge referred to below into the Road Funds to be created in the several States. On a total consumption of 200 million gallons per annum, the amount to be credited to the States Road Funds will therefore be Rs. 13 crores of which Rs. 7.5 crores will thus be States' fuel tax collected in lieu of many existing States taxes. The portion of the revenue that would accrue in the Central Road Fund to the credit of the States' Road Fund in the individual Part A States on this account on the basis of motor spirit consumption in 1949 is shown in Table 24 on pages 121-122.

(3) *Duties on Diesel Oil and other Fuels.*—The Committee *Parts, and Accessories.*—The Committee recommend, having in view the above mentioned considerations that the tariffs should remain as they stood before 1st March 1950 (see paragraph 136.3).

(3) *Duties on Diesel Oil and Other Fuels.*—The Committee recommend that the present preferential duties on diesel oil should remain. Diesel engines are very largely used for industrial purposes at present and perhaps will be more largely used in future for purposes other than motor vehicle propulsion such as for agricultural pumping, tractors, pumps for waterworks, etc. Since, however, under

this recommendation, vehicles using fuel other than motor spirit will not be paying their share for road use (road rent) the Committee have recommended under paragraph 140 below that there should be a countervailing tax on motor vehicles using fuels other than motor spirit.

The Centre should support liberally plans of road development.

139.1. The Committee consider that since the Centre retains a substantial portion of the taxes on motor vehicles and commodities required for their working as a contribution to general revenues they should besides matching the fuel tax as proposed above be ready to support liberally plans of road development.

And should consider equalising customs tariffs on railway and road imports

139.2. So that the motor vehicle user and the railway user be taxed on the same basis, the Government of India may consider to what extent the customs tariffs on railway engines and on components and auxiliary material required for railway maintenance and working (last sentence of paragraph 136.2) should not be the same as the tariffs for motor vehicles and commodities required for their maintenance and working.

State Taxes

Changes to be made in State Taxes.

140. The States' fuel tax (paragraph 127.1) will take the place of a host of State and Local taxes but some local bodies might have to receive assistance should they be unable to make up their deficit. The States' motor vehicles tax (paragraph 131.1) will take the place of all the remaining taxes on the motor vehicle user in the States. The Central customs and excise on motor vehicles and the commodities required for their maintenance and working will remain but should not necessarily be exactly in their present form or level (see paragraph 53 on protective tariffs and paragraph 136.3). These taxes will now be considered in the order given above.

(1) *The States' Fuel Tax.*—The Committee recommend that the proposed surcharge (paragraph 130) should be fixed at 6 annas a gallon in addition to the existing duties of customs and of excise of 15 annas a gallon on motor spirit. (Power alcohol used by motor transport will be taxed as at present, at exactly the same rate as motor spirit (petrol) and for the purposes of this report power alcohol is included in the term motor spirit). The additional tax proposed above will bring in a revenue of Rs. 7·5 crores on a consumption of 200 million gallons of motor spirit, the revenue being first paid into the Central Road Fund and then transferred to States' Road Funds (to be created). The distribution of this tax among the Part A States on the basis of consumption in 1948-49 is shown in Table 24 on pages 121-122 below.

(2) *The States' Motor Vehicles Tax.*—The Committee recommend that the following rates should be applied in *due course* as a ceiling when taxing motor vehicles using motor spirit.

TABLE—22

Class of Motor vehicle	Yearly Tax	Remarks
A.—VEHICLES USING MOTOR SPIRIT AS FUEL ONLY		
1. Motor cycles.	Rs. 18/- flat rate.	NOTE.— See paragraph 141.1 and B below for recommendations on taxation of motor vehicles using other fuels.
2. Motor cycle combinations (for private use)	Rs. 24/- flat rate.	Motor cycle combinations, tricycles, tonga, taxis, delivery vans with these vehicles, and all two- or three-wheeled motor vehicles plying for hire and reward are to be taxed under items 4 and 5.
3. Motor cars (private motor vehicles)	Rs. 15/- per every 500 lbs. unladen weight or part thereof up to 2,500 lbs.; plus Rs. 25/- for every additional 500 lbs. unladen weight or part thereof beyond 2,500 lbs.	If licensed for use for hire or reward, these are to be taxed under items 4 and 5.
4. Goods vehicles. (Public and private carriers)	Up to 1,000 lbs licensed laden weight Rs. 100/-	
	1,000 lbs. to 4,000 lbs. Rs. 100/- plus Rs. 20/- for every additional 500 lbs. or part thereof. Tax on 4,000 lbs.=Rs. 220/-	
	4,000 lbs. to 8,000 lbs. Rs. 220/- plus Rs. 25/- for every additional 500 lbs. or part thereof. Tax on 8000 lbs.=Rs. 420/-	
	8,000 lbs. to 18,000 lbs. Rs. 420/- plus Rs. 30/- for every additional 500 lbs. or part thereof. Tax on 18,000 lbs.=Rs. 1,020/-	
	18,000 lbs. and over Rs. 1,020/- plus Rs. 100/- for every additional 500 lbs. or part thereof.	
5 Public passenger vehicles.	Licensed capacity including standing passengers but excluding driver and conductor.	
(1) *Cabs (Contract carriages)*	*3 to 4 persons.* 3-wheelers Rs. 200/- 4-wheelers Rs. 300/-	Includes tonga, taxis and light cars not over 2,500 lbs. unladen weight.

Class of Motor vehicle	Yearly tax	Remarks
	4 to 8 persons* Rs. 400/- plus Rs. 50/- for every additional person beyond 4. Tax for 8 seater cab, Rs. 600/-	*Includes all vehicles over 2,500 lbs. unladen weight.
(2) *Buses (Stage carriages)*	8 to 26 persons Rs. 600/- plus Rs. 80/- for every additional person beyond 8. Tax for 26 seater bus Rs. 2,040/-	
	26 to 32 persons Rs. 2,040/- plus Rs. 60/- for every additional person beyond 26. Tax for 32 seater bus Rs. 2,400/-	
	32 persons and above Rs. 2,400 plus Rs. 40/- for every additional person beyond 32.	

B.—VEHICLES USING FUELS OTHER THAN MOTOR SPIRIT.

(See paragraph 141 below)

1. Motor cycle	No. surcharge.
2. Motor cycle combinations.	No surcharge.
3. Motor cars	No surcharge.
4. Goods vehicles (public and private carriers)	Taxes as in A, plus a surcharge of Rs. 500 per annum.
5. Passenger vehicles.	
(1) Cabs	No surcharge.
(2) Buses (stage carriages)	Taxes as in A, plus a surcharge of Rs. 800 per annum.

(3) *States Motor Vehicle Fees.*—The Committee have recommentioned in paragraph 129 that fees should be adjusted to cover the cost of services rendered in issuing licences, inspecting vehicles, etc. Fees are not taxes and should not be regarded as such.

Countervailing tax on motor vehicles using fuels other than motor spirit.

141.1. The Committee do not wish to make any recommendation that would, if given effect to, result in discouraging the use of the diesel-engined motor vehicle. Among the advantages of the diesel engine is that it uses considerably less fuel for the same performance. In a country like India that imports fuel for motor transport, this is an important consideration. Furthermore, diesel fuel is cheaper to produce than motor spirit, easier and less risky to handle, and easier to store. The diesel engine is particularly suitable for use in bus transport in towns and where large fleets exist and it is being so used now with considerable success. It has a longer life than the petrol engine, there is a longer period between overhauls, and more power is developed at low speeds. On the other hand, the diesel engine is expensive in first cost, is not generally suitable for low powered engines in motor vehicles (less than about 70 horse power), and requires special facilities for its servicing.

141.2. In fixing the countervailing taxes, shown under item B in Table 22 above, the Committee have endeavoured to take all the factors named above (as well as others) into account and have so fixed the countervailing tax, in consideration of the present duties on diesel engines and diesel fuel, that motor vehicles using these engines will pay not much more than half the rent or fee for road use that the petrol-engined vehicle pays. This preference the Committee considers justified on the grounds that the use of diesel engines, in their restricted field, should be encouraged if only because the use of diesel fuel is of advantage to the economy of the country as already explained. Should the duties on diesel engines and diesel fuel be altered, a corresponding alteration in the countervailing tax should be made. It will be seen from **Appendix XX** that diesel-engined vehicles in many countries are taxed at much higher rates than petrol-engined vehicles. Basis of the proposed tax.

141.3. There are many goods vehicles and buses on the roads today using producer gas as fuel. The Committee consider the use of producer gas should be discouraged. The use of this fuel was encouraged during the war to save imports of motor spirit but this was done at the expense of the forest wealth of the country. At present, the Committee consider that on balance it is more to the advantage of the country to import motor spirit and the heavy oils (including diesel oil) than to persist in the use of producer gas on any large scale. The Committee was also influenced by the consideration that oil wells in India may yield appreciable quantities of heavy oils in the not very distant future. Since, however, the use of producer gas was encouraged in the past, the Committee recommend that no countervailing tax be imposed on existing vehicles using this fuel during the next five years, that is before April 1955. Not to be levied on existing vehicles using producer gas.

Taxes on other Users of Road Transport

142.1. The Committee have recommended (paragraph 56.2) that the cultivator's bullock cart should not be separately taxed but that the cultivator should pay a small road cess on his land revenue dues in return for the use he makes of the roads and for road availability. The Indian Taxation Enquiry Committee of 1924-25 mentioned that the practice of levying surcharges on land revenue (cesses) was of very long standing in India and that in the old days these cesses were levied for a great variety of purposes. In the period 1904-6 all cesses that were levied for other than local purposes were abolished. Special road and public works cesses were levied in most provinces but in course of time these were regarded as general purpose cesses and the proceeds were spent accordingly. The basis of assessment varied in different provinces, and from time to time, but a maximum of 12½ per cent. on the land revenue (two annas in the rupee) appeared to have been prescribed in several provinces at the time the Taxation Enquiry Committee of 1924-25 reported. The cultivator's cart.

142.2. If a road cess of one anna in the rupee on land revenue were imposed, the yield would be about Rs. 160 lakhs with the land revenue collections at Rs. 25·52 crores (1948-49 figures) or about Rs. 2.75 per cart per annum for 60 lakhs carts (paragraph 56.2). Under the existing procedure the local bodies would benefit from this tax but roads might not benefit (as is shown by the history of previous road cesses) unless the proceeds were paid into a State Road Fund which was administered in a manner somewhat similar to the administration of the present Central Road Fund. A road cess on land revenue.

Tax not excessive.

142.3. The Committee therefore recommend that a special road cess of one anna in the rupee on land revenue be levied in addition to the existing cesses in all States and that the proceeds be credited to the State's Road Fund for distribution to local bodies in the manner prescribed *mutatis mutandis* for the Central Road Fund, the expenditure being watched in the same way. In making this recommendation the Committee have been influenced by the consideration that, while almost all other taxes have increased in recent years, sometimes manifold, land revenue has shown little increase, although the selling price of crops has also increased very considerably. Land revenue which used to be the mainstay of the government 50 years ago, contributing over 50 per cent. of the total revenue of the whole of India, has in 1949-50 contributed less than 10 per cent. of the States revenue and 5 per cent. of the total revenue of India as shown by the following figures:

Percentage of Land Revenue to the total revenue of India.
(Year ending 31st March)

1881	1894	1904	1914	1924	1939	1949	1950
53·75	46·77	42·76	35·42	20·75	15·50	4·05	4·36

Carts plying for hire or reward.

142.4. The Committee have not attempted to fix a tax for users of carts plying for hire or reward but they have remarked (paragraph 56.4) that they do not think a tax of Rs. 60 a year in most cases would be excessive and that the tax might be much more. Taxes on other road users would yield comparatively little and the matter hardly comes within the purview of the Committee.

Distribution of the Proceeds of Taxes on the Motor Vehicle user

Money for road development should be voted into non-lapsing funds.

143.1. In view of the defects of the present system of lapsing grants discussed in paragraph 134 above, the Committee recommend that both in the Centre (which might set an example in respect of *National Highways*) and in the States, the funds allotted in the budgets each year for road development should be voted into a non-lapsing fund similar to the Central Road Fund (paragraph 135). The entire receipts from the States fuel and motor vehicle taxes (paragraph 140 above) should, in accordance with this recommendation, be considered as part of the above mentioned non-lapsing fund.

Part of which the Centre should match.

143.2. The Committee have criticised (paragraph 135.2.) the Central contribution to the Road Fund of only 2½ annas out of the 15 anna tax on motor spirit as being totally inadequate and they have recommended [paragraph 138(1)] that this contribution should be increased by an amount at least equal to three-fourths of the yield of the States' fuel tax, or a portion representing 4½ annas of the total fuel tax which should be credited ultimately to the States' Road Funds referred to in the previous paragraph.

Final distribution of the proceeds of Taxes on the motor vehicle user.

144. The final distribution of the proceeds of taxes on the motor vehicle user, if these recommendations are accepted, will be as follows:—

144.1. *Central Taxes.*

(1) The existing fuel tax of 15 annas a gallon will be distributed:—

(a) To the Central Road Fund as at present	2½ annas.
(b) To the States Road Funds	4½ annas.
Total	7 annas.

The balance of 8 annas of the tax on motor spirit will yield Rs. 10 crores on a consumption of 200 million gallons a year. This may be taken for the present as the "roads" contribution to Central revenues on the understanding mentioned in paragraph 139 above.

(2) *Customs and excise duties* on motor vehicles and accessories (tyres, spare parts etc.) to continue at such rates as may be prescribed from time to time, but commercial vehicles and parts and articles required for their use, other than fuel for which a separate tax is levied, should ordinarily not pay duties at a level higher than 30 per cent. *ad valorem* which is the existing general revenue duty. Anything that is charged higher, unless it is a protective duty (subsidies have however been recommended by the Committee in preference) should be regarded as a luxury tax which would normally be justified only on private motor cars above 2500 lbs. in unladen weight. There can be no direct apportionment for road development of the proceeds of duties levied on tariffs at "normal" rates on these commodities, but, in equity, the road user would be entitled to assistance in the shape of such enhanced contribution to road development as would be equivalent to any levy on non-luxury goods in excess of the "normal" rates for such goods *vide* paragraph 136.3. above.

2. *State Taxes.*

(1) *The States fuel tax* (6 annas a gallon). This will be distributed ultimately to States' Road Funds on the basis of the consumption of motor spirit in each State. On the basis of the 1948-49 consumption figures, the shares of the individual Part A States will be as shown in Table 24.

(2) *The States' motor vehicle tax.* The amount that will be collected in each State is difficult to calculate even on the figures available to the Committee for the number of motor vehicles on the road in 1949 as the breakdown by weights and seating capacity was not available. However, an estimate based on the ratios of the old and proposed new taxes is given in Table 24. The proceeds of this tax will be credited by each State to its own States Road Fund.

(3) *Municipal and local taxes.* Apart from any fees that may be levied for specific services and commodity taxes on purely local consumption, no taxes as such on the motor vehicle user should be levied by local bodies.

Uniformity of motor vehicle taxes desirable.

145.1. The Committee have recommended a uniform fuel tax and a uniform motor vehicle tax in every State with the object of attaining as great a measure of uniformity as possible in road transport costs throughout India. If transport costs and taxes are the same everywhere as is the case with the railways, a barrier to inter-State trade will be removed, and the way will be paved for full reciprocity of motor vehicle use between States so that the development of industries drawing supplies from or distributing products to more than one State will be facilitated. Above all, uniformity of taxation and regulation will remove many of the present sources of irritation and ill-feeling between the motor vehicle user in one State and the authorities in another and, if only in a small way, be a definite factor tending to bring all citizens in India into one great community.

But there should be no double taxation even if uniformity in taxation is not immediately achieved.

145.2. If the Committees' recommendations are accepted, the burden of taxation on the *average* motor vehicle user will not be reduced except that local taxes where now levied will be less or abolished altogether. On the other hand, the motor vehicle user in Madras and Uttar Pradesh will benefit appreciably and since more money will be spent on road repairs, the motorists' repair bill and therefore the cost of motor transport to the user will be reduced. Some of the taxes recommended by the Committee, particularly the States' motor vehicle taxes will be higher in some States than they are at present and lower in other States. When the recommended tax is higher, the existing tax may be raised gradually but the absence

of uniform taxation between States in the beginning should not be a reason for refusal of reciprocity between State and State. The Committee attach great importance to the principle that no motor vehicle should pay a double tax: a licence granted in one State should be valid, if an endorsement to travel in another State is granted, without the payment of further taxes.

A large measure of uniformity already exists in working costs

145.3. The Committee found that most of the items making up the operating costs of motor vehicles were tending to reach a common level throughout the country. Driver's wages are beginning to approximate to a common standard, tyres are already sold at the same price throughout the country, and wages of skilled workmen are everywhere approaching the same level. There is, however, a distinct difference in the cost of motor spirit, the up-country selling price being higher than that in the port towns by the cost mainly of railway freight.

Payment of transport costs of motor spirit from a transport cess recommended.

145.4. The total railway costs of transporting motor spirit by rail for *civilian* use is estimated by the Committee at about Rs. 1.8 crores when the total civilian consumption is 200 million gallons. If a further transport cess of 1½ annas per gallon were put on motor spirit, and appropriated towards railway receipts or to a special fund for freight equalization all railway freight charges could be paid from this fund and the price of motor spirit would be sensibly the same throughout India. If freights are pooled as proposed, the price of motor spirit in different towns in India would compare with the prices ruling in August 1950 as shown in Table 23 below:—

TABLE 23.

(As at August 1950)

Town	Price ex-pump ex-cluding Sales Tax	Railway Freight	Price after pooling freight but excluding all new taxes	Remarks
	Rs. As. P.	Rs. As. P.	Rs. As. P.	
1. Bombay . .	2 1 0	—	2 2 6	From Bombay.
2. Nagpur . .	2 6 6	0 5 6	2 2 6	,,
3. Delhi . . .	2 9 6	0 8 6	2 2 6	,,
4. Ambala . .	2 10 6	0 9 6	2 2 6	,,
5. Lucknow . .	2 8 0	0 7 0	2 2 6	,,
6. Patna . . .	2 6 0	0 4 0	2 3 6	From Calcutta.
7. Shillong . .	3 0 0	0 14 0	2 3 6	,,
8. Calcutta . .	2 2 0	—	2 3 6	—
9. Cuttack . .	2 5 6	0 3 6	2 3 6	From Calcutta.
10. Visakhapatnam .	2 6 9	0 4 9	2 3 6	,,
11. Cochin . . .	2 1 3	—	2 2 9	—
12. Madras . .	2 1 6	—	2 3 0	—
13. Bangalore . .	2 5 0	0 3 6	2 3 0	From Madras.
14. Hyderabad . .	2 6 6	0 5 0	2 3 0	,,

146. The Committee are concerned that taxation measures should not so act as to deny to the country the full benefits of technical progress in the transport field. In the not very distant future turbine motor vehicles (actuated on the jet-turbine principles developed for aero-engines during the last war) may be available on the market. One prototype is said to have completed a 100,000 miles test successfully. There may be other developments that a rigorously applied protective tariff policy would deny the country. In paragraph 53 above, the Committee have recommended that the Indian motor manufacturing industry should be subsidised rather than protected by prohibitive tariffs. Subsidies will allow the ordinary economic laws to operate and will bring to the notice of Government in terms of hard cash the relevant advantages of new and obsolescent technical processes. Once facts are brought to notice action can be taken to deal with them. High protective tariffs on the other hand may not only act so as to deny the nation the benefits of technical progress in the transport field but may even act so as to keep the government ignorant of these advances. Taxation measures should not deny the country the benefits of technical progress.

Summary of Recommendations relating to Tax Revenue and the Distribution of the Proceeds.

147.1. The Committee's recommendations may therefore be summarized as follows:— Summary

A. **Collection:**

(1) *Central taxes,*

(a) *The fuel tax.*—No change.

(b) *Import duties.*—These should be reduced to the March 1950 figures.

(2) *States' taxes,*

(a) *The fuel tax.*—The sales taxes on motor fuel should be abolished and a central surcharge of six annas per gallon on motor spirit be levied in their place.

(b) *The Motor vehicles tax.*—These should be levied in accordance with a schedule, the limits fixed therein being regarded as ceilings that are not to be exceeded for the present.

(c) *Sales taxes on motor vehicles and accessories.*—These should be levied at "non-luxury" rates.

(d) *Fees.*—These should be increased or reduced as required so that they approximate to the cost of the services rendered against which the fees are being collected.

(e) *Other taxes on motor vehicles.*—These should all be abolished as also taxes on persons or goods carried by road.

(3) *Local taxes*

(a) *Octrois; terminal taxes and tolls; tolls, other than ferry charges; and all local levies on the motor vehicle user.*—These should all be abolished. Local bodies may be given grants-in-aid when these are justified.

(b) *Fees.*—As for item (d) under States' taxes.

(c) *Motor vehicle taxes.*—Local bodies should not be permitted to tax motor vehicles. They may, however, be given grants-in-aid when these are justified.

(d) *Vehicle taxes other than motor vehicle taxes.*—The rural cart should not be taxed except indirectly through a road cess on land revenue the proceeds of which should go to the States Road Fund for distribution to local bodies. The professional bullock cart operators may be taxed as also other road users.

(e) *Property taxes.*—There is room for an increase in these taxes in many municipalities. Municipal roads in general give access to property and can rightly be paid for from property taxes.

B. Distribution of the proceeds of taxation:

(1) *Central taxes.*

(a) *The fuel tax.*—A portion representing seven annas of the total fuel tax should be credited to the Central Road Fund in the first place. Of the revenue so collected, a portion representing 4½ annas of the total fuel tax should be distributed to States' Road Funds on the basis of motor spirit consumption to match on a 75 per cent. ratio the States' fuel tax [item 2(a) above]. Of the balance left to the Centre, liberal contributions should be made to road development. [Paragraphs 139 & 144.1]

(b) *Import duties.*—In equity, enhanced contributions should be made to road development equivalent to the "luxury element" of these duties [Paragraph 144.1(2).]

(2) *States taxes.*

(a) *The fuel Tax.*—The proceeds should be credited to the State's Road Fund to be created for the purpose of financing road maintenance and development. The money in the fund should not lapse.

(b) *The motor vehicle tax.*—The proceeds should be similarly credited to the State's Road Fund.

(c) *Road cess on land revenue.*—The proceeds should be credited as above for distribution to local bodies in accordance with defined principles.

Grants-in-aid should be given to local bodies on the principles outlined in paragraph 128 of this report.

147.2. The yield from the taxes imposed in 1948-49 in the Part A States is compared in the following table with the estimated yield from the taxes proposed by the Committee. As explained in paragraph 144.2(2) above, however, no great accuracy can be claimed for the figures shown as indicating the yield of the proposed new motor vehicles tax. On the whole, the proposed new taxes will yield less revenue than is collected today except in West Bengal, Punjab, Bihar, and Assam where there will be considerable increases in revenue. On the other hand, since the Centre will match expenditure on roads to some extent, appreciably more funds than before will be available for expenditure on roads if these proposals are accepted.

TABLE 24

Estimated yields of the old (1948-49) and proposed new taxes in the Part A States.

(in lakhs of rupees)

States	Proceeds of the taxes of 1948-49					Proceeds of the recommended new taxes			Difference	Remarks
	Sales tax on petrol	Motor vehicles tax	Local taxes†	Luxury element of sales tax on vehicles & accessories.*	Total	New petrol surcharge	New motor vehicle tax	Total		
Madras‡	60·27	180·43 (268·09)	..	42·78	283·48 (371·14)	90·41	172·60	263·01	—20·47 (—108·13)	In addition a road cess (paragraph 142·2) will be levied. The proceeds of this tax are shown in Table 25 below.
Bombay	53·13	104·37	163·73§	57·29	382·52	159·39	193·39	352·78	—29·74	
West Bengal	81·16	33·55	1·87	..	116·58	81·16	293·17	374·33	+257·75	
Uttar Pradesh	26·31	35·49	201·72	13·79	277·31	78·93	110·75	189·68	—87·63	
Punjab	7·07	9·32	29·25	..	46·14	14·14	53·75	67·89	+21·75	
Bihar‡	12·12	22·01 (28·15)	..	..	34.13 (40·27)	18·18	68·38	81·56	+47·43 (+41·29)	

TABLE 24—*Contd.*

States	Proceeds of th taxes of 1948-49					Proceeds of the recommended new tax			Difference	Remarks
	Sales tax on petrol	Motor vehicle tax	Local taxes†	Luxury element of sales tax on vehicles & accessories*	Total	New petrol surcharge	New motor vehicle taxes	Total		
Madhya Pradesh	12·48	25·84	38·75	26·67	103·74	15·76	53·00	68·76	—34·98	
Assam	10·53	9·11	0·03	..	19·67	21·06	57·95	49·01	+59·34	
Orissa‡	1·72	7·48 (16·81)	..	..	9·20 (18·53)	1·72	12·42	14·14	+4·94 (—4·39)	

*Luxury element is taken as the difference between the rate charged for motor vehicles and spares, and for essential commodities.

†Octroi, wheel tax, terminal tax etc. (*Figures generally relate to 1946-47 except for Bombay Municipality for which latest budget estimate has been taken.*)

‡Madras, Bihar, and Orissa increased their vehicle tax during or subsequent to 1948-49. Therefore for these States the 1950-51 budget estimates are also given in brackets.

§Includes Rs. 95 lakhs, estimated revenue of Bombay Municipality (1950-51) from town duties and wheel tax on motor vehicles.

TABLE 25

Yield of the Proposed Road Cess

(Paragraph 142·2)

(in lakhs of rupees)

Yield	Madras	Bombay	West Bengal	Uttar Pradesh	Punjab	Bihar	Madhya Pradesh	Assam	Orissa	Total
Yield based on land revenue of 1948-49	30·75	24·38	11·19	42·38	10·12	8·75	18·69	9·81	3·44	159·51

The proceeds of such taxes as are earmarked for roads should be paid into non-lapsing road funds.

148.1. The Committee have referred in paragraphs 70 to 74 and elsewhere in this report to the evil results that have followed from the present system of budgeting. Most of these evils arise from violent fluctuations in budget grants and from the system of "lapse" (paragraph 134). As road upkeep and development is a continuous process, they have recommended in the previous paragraphs that the proceeds of the modified taxes suggested by them should be paid either into the Central Road Fund or into non-lapsing States' Road Funds. The total accretions to these funds recommended by the Committee are:—

Central Road Fund.—(1) The proceeds of a two and a half anna tax on motor spirit (as at present).

(2) An amount equal to the "luxury element" of customs and excise duties on certain commodities (paragraph 136.3).

States' Road Funds.—(1) The six anna surcharge on motor spirit

(2) The four and a half anna "matching" contribution of the Centre.

(3) The proceeds of the States motor vehicle tax, and

(4) The proceeds of the road cess.

Contribution from general revenues for road upkeep should also be paid into these road funds.

148.2. These funds will not be sufficient in themselves to pay for "normal" road maintenance and development as the motor vehicle user cannot be called upon to foot the whole of the road bill—something must be paid by the general taxpayer for "community use" of roads (paragraphs 33.2 and 133.2) and road availability. The amount of this contribution should be about one-third of the road bill as explained in paragraph 34, and the Committee recommend that this contribution should be paid by the States into their Road Funds.

And capital grants should also be non-lapsing.

148.3. For capital development the Committee recommend that such funds as may be set aside for this purpose from loans or surpluses should also be regarded as non-lapsing since they were informed that the recent "cuts" made in capital grants have led to slowing down and stopping of works in progress with much unnecessary loss to the taxpayer as explained in paragraph 74.

Legislation necessary.

149. Under item 2(c) of their terms of reference, the Committee were required to advise on the principles on which any part of the proceeds of taxation of the motor vehicle user should be made available for expenditure on roads. In terms of the notification constituting the Committee, the Government of India have made it known that one of their objects was to collect all available data so that the lines of legislation to be undertaken under entry 35 of List III (the Concurrent List) of the Seventh Schedule of the Constitution of India may be adumbrated. This entry calls for the determination of principles on which taxes on mechanically propelled vehicles are levied throughout India. These two questions are closely related. The Committee have shown that if there is to be a common taxation policy there must first be a common transport policy based on principles accepted by all the taxing authorities (paragraph 124). The Committee have recommended certain transport and taxation principles for general acceptance. These can be embodied in an all-India Motor Vehicles Taxation Act parallel to the Motor Vehicles Act of 1939. In formulating their recommendations, the Committee have given due weight to what is known as the "benefit principle"

and have applied this principle on lines similar to those adopted by the Salter Committee in the United Kingdom in 1932 (paragraph 133.3) but they have also been guided by consideration of the requirements of their recommended common transport policy and have been obliged to take into account the present unsatisfactory financial position of the Central and State governments. When happier times come and there is more money available in the public fisc, the Committee hope it will be possible, through a more liberal interpretation of the principles they have laid down, to earmark for expenditure on roads greater percentages of the proceeds of the taxes imposed on the motor vehicle user than now recommended and at the same time to reduce those taxes considerably.

M. N. DALAL, Chairman.

G. M. McKELVIE.

N. C. GHOSH.

T. S. KRISHNA.

K. R. P. AIYANGAR.

A. A. BROWN.

C. S. ANANTAPADMANABHAN,

C. S. NAIR,

Secretaries.

23rd October, 1950.

CHAPTER IX—SUMMARY OF THE COMMITTEE'S CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

150.1. The first four chapters of this report are taken up (as required by the Committee's terms of reference) mainly with a survey of the existing system of taxation of the motor vehicle user in India. Since taxation of the user and regulation of the use of motor vehicles are so closely interconnected, the Committee have also surveyed the existing methods of regulation of motor vehicles. **The general conclusion come to by the Committee is that the present taxation policies of the Central and States Governments do not conform with their overall policy of developing road transport as a national enterprise.** (Paragraph 133.1).

The present taxation policies in India do not conform with the governments, overall policy of doveloping road transport.

150.2. The following are the more important conclusions in matters of detail that were arrived at by the Committee when examining the existing systems of taxation and regulation.

The more important conclusions.

Central Taxes

(1) There would appear to be room for an examination (by the Finance Commission shortly to be appointed) of the relative responsibility for "roads" of the Union and States governments and their relative powers to tax the motor vehicle user. The examination would be carried out with a view to determine how part of the proceeds of the taxes on the motor vehicle user should be distributed among the authorities responsible for roads (paragraphs 13 and 14).

(2) The large increases in customs tariffs (from 7½ per cent. in 1921 to an average of over 75 per cent. at present) appear to have been reflected by a check in what might be considered the "normal growth" of motor transport in India (paragraphs 15.1, 136.2, and the graph on page 11).

(3) The recently imposed tariffs are doing more harm than good (paragraphs 16 and 17).

(4) The present duties are largely of the nature of luxury taxes because of their unrequired nature (paragraph 19.1 to 19.3).

State Taxes

5. The basis of motor vehicle taxation varies from State to State (paragraph 21.2 and accompanying graphs) while the basis of assessment of State taxes also varies widely (paragraph 23). Taxes everywhere have however been growing rapidly in recent years (paragraph 24).

(6) The heavy Central taxation of the motor vehicle user leaves the States very little margin to collect revenue from this source although the States carry at present the main burden of expenditure on roads. The States are perforce imposing ever increasing burdens on the motor vehicle user and this explains why motor vehicle taxation in India is perhaps the highest in the world [paragraphs 19.2, 21.3 & graphs and 23 (Table 3)].

(7) There is an absence of reciprocity between State and State in the matter of giving permission to the plying of motor vehicles. This does not apply so largely to the plying of private cars (paragraph 25).

Local Taxes

(8) Local taxes are still very high in some areas and are harmful to trade. The delays caused to commercial traffic at octroi posts are perhaps even more harmful to trade than the taxes themselves. Evasions are common and the cost of collection high (paragraphs 28 to 31).

(9) Local authorities are demoralized when they rely on taxing "through" traffic instead of taxing local residents to meet local needs (paragraphs 30 and 31).

The Burden of Taxation

(10) The average goods lorry pays in Central and State taxes alone twice the average earnings per ton mile of goods carried by rail (paragraph 32.1).

(11) In the Part A States, the motor vehicle user paid in taxes in 1949 more than twice the cost of maintaining the roads (paragraph 33.1).

Regulation and Road-Rail competition

(12) Some Transport Authorities did not appear to be aware that they were required to function as quasi-judicial authorities and that they were not subservient to the State governments in the matter of granting permits (paragraphs 40.2 and 40.4).

(13) Enlightened public opinion, however, and the action of the Courts are a safeguard (paragraphs 40.4 and 40.5).

(14) There is at present little or no road-rail competition in India (paragraph 41.3).

(15) But there are still severe regulatory restrictions in some States in the transport of goods by road (paragraph 42) and these are tending to create undesirable vested interests among operators of goods transport (paragraph 42.3).

(16) Public opinion is hostile to the restrictions imposed by the "Code of Principles and Practice" on the transport of goods by road (paragraph 43).

(17) Road-rail competition is not to be feared while the present high taxes on goods transport by road remain (paragraph 43.6).

(18) State Road Transport Undertakings are on the whole time well organized under difficult conditions but the management is not at present sufficiently independent and the indications are that State services are more costly than private services (paragraph 44).

(19) There is a need for State governments to scrutinize closely all demands for increases in bus fares (paragraphs 44.8 and 44.9).

(20) There is need for proper regulation of motor transport and strict enforcement of regulation. Enforcement is not good in some States (paragraphs 48 and 49).

(21) The railways are taking steps in the right direction to encourage bulk transport of goods by rail and long haul carriage of goods (paragraph 50.3).

Miscellaneous

(22) The burden of assisting the motor vehicle manufacturing industry in India is falling entirely on the motor vehicle user (paragraph 52.2).

(23) The cost of establishing a motor manufacturing industry in India will be very high (paragraph 53.4).

(24) Without rationalisation of production much of the investment in the existing motor vehicle assembly plants in India appears unwise (paragraph 54).

(25) Bullock carts used as public carriers do much damage to the roads and their users pay little or no taxes though their earnings are appreciable. Cultivators' carts on the other hand do little damage to the roads and are mainly engaged on transport "on own account" (paragraphs 56.2 and 56.3).

(26) Municipal roads give access to property and should for the most part be paid for by the owners of property (paragraph 57).

(27) Taxpayers are at present put to considerable inconvenience, and sometimes expense, over the delays that occur in collecting motor vehicle taxes, issuing licences, inspecting vehicles etc. (paragraphs 60 and 61).

(28) Since the incidence of Municipal taxation on houses and lands (and direct taxes generally) are from twice to six times as high in the South and East of India, where there are few indirect taxes, as in other parts, the grants-in-aid to be given to municipalities if Octrois and similar indirect taxes are abolished might not be very great (paragraph 128).

(29) Fees relating to motor vehicle use are not at present being levied all over India on a comparable basis (paragraph 129).

Responsibility for Roads

(30) The advent of the railway resulted in India in a general devolution of responsibility for roads to local authorities but the advent of the motor vehicle has tended towards a reversal of this devolutionary process. This trend in the reverse direction has not, however, proceeded as far as sound economic policy would justify (paragraphs 66 and 67).

(31) The general trend in other countries is towards decreasing railway route mileage and increasing the mileage of surfaced roads (paragraph 68).

(32) Significant achievements have been attained through the existence of the Road Fund. These achievements are largely due to the non-lapsing nature of the fund (paragraphs 69.1 and 70.1).

(33) From information available it appears that the percentage of India's revenue spent on roads is much less than that of the advanced countries of the world (paragraph 68.2).

(34) Central expenditure on roads has on the whole been meagre for the last hundred years or so (paragraph 69).

(35) The States' expenditure on roads has been almost entirely from revenue. The grants have fluctuated violently and there has been no consistent road policy (paragraph 70).

(36) Road surfaces have been neglected. Bad roads are in effect an additional tax on the motor vehicle user. This "tax" might be valued at as much as Rs. 10 crores a year (paragraph 71).

(37) The principles laid down for road development in the Nagpur Plan of 1943 are not being fully applied in India (paragraphs 72 and 73).

(38) Road development is a continuous process and cannot proceed satisfactorily unless financed under a system of regular grants as in the advanced countries (paragraphs 74 and 75).

Transport Policy

(39) The motor vehicle user in India is perhaps the highest taxed in the world (paragraph 78).

(40) No scheme of taxation of the motor vehicle user can by itself attain the objectives laid down in the Committee's terms of reference (cheap, rapid, and efficient transport for different categories of users by the means best suited for the kind of traffic involved and the provision of proper co-ordination between the different forms of inland transport). Regulation and control is also necessary as also a clearly defined transport policy (paragraph 112).

(41) The Committee's enquiry has revealed that no clearly defined transport policy has as yet been accepted by the Union and State governments throughout India (paragraph 115).

(42) The railway route mileage in India is at present sufficient for India's needs (paragraph 120.3).

(43) To arrive at a "fair basis" of taxation of the motor vehicle user, there must be prior acceptance of clearly defined principles governing road transport and acceptance of a road transport policy (paragraph 124).

(44) Government supplies the roads, an essential part of road transport, and is therefore a partner in road transport which is essential for the economic development of the country. Government expenditure on roads is, however, unsatisfactory (paragraph 133).

(45) The difficulties at present being experienced in India in the matter of road development are due to an antiquated approach to the problem of road transport. The Committee cannot condemn too strongly the policy of indiscriminate reduction in development expenditure on roads (paragraph 134.2).

(46) The Committee consider the present system under which the Centre earmarks no more than the small sum of 2½ annas of the tax on motor spirit towards road development as very unsatisfactory (paragraph 135.4).

(47) It is only recently that governments all over the world have taken to studying the practical effects that their taxation and regulatory measures on transport have on industry as distinct from the effect these measures may have on government revenues. In India, however, motor vehicles are still classed as "luxuries" for the purpose of taxation (paragraph 136.2).

RECOMMENDATIONS

Recommended transport policy to form the basis of a taxation policy.

151.1. The main recommendations of the Committee are contained in Chapters VII and VIII but recommendations concerning matters of detail have been made throughout the report as occasion seemed to demand. The terms of reference spread a wide net (which was of advantage to the Committee as explained in paragraph 112.1 and elsewhere) but the fundamental requirements were

that the Committee should recommend "the basis of a scientific system of taxation of the motor vehicle user" and the principles on which part of the proceeds of this taxation should be made available for road maintenance and development. The Committee's recommendations concerning these may be summarised as follows:—

(1) *A scientific system of taxation of the motor vehicle user cannot be evolved unless the Union and State Governments accept a common transport policy. The transport policy recommended for acceptance is generally that recommended by the United Nations (paragraphs* 112, 121 *and* 124).

(2) This recommendation may be amplified as follows:—

(a) *The motor vehicle user as a general tax payer should contribute to general revenues only to the same extent as does the railway user (paragraphs* 125, 137 *etc.*), and

(b) *The taxation policies of the Union and States should be so adjusted that the motor vehicle user as such is not called on to pay the expense of implementing any extraneous Union or States' policy (defence, welfare, prohibition etc.), nor to pay for the establishment of a motor vehicle manufacturing industry in India (paragraphs* 121(5) *and* 52).

(3) It follows from the acceptance of 2(a) above that—

(a) *The balance of the proceeds of taxes on the motor vehicle user after deducting the contributions to general revenues should be earmarked for expenditure on roads (paragraph* 133.3), and

(b) *These proceeds should be paid into non-lapsing Road Funds (paragraphs* 138, 140, 143.1 *etc.*)

151.2. The following are the more important detailed recommendations of the Committee. **The more important detailed recommendations.**

Regulation

(1) The aim should be to have complete reciprocity between States in the matter of permission to operate motor vehicles (paragraph 25.5).

(2) More liberal issue of permits for inter-regional traffic is desirable and also closer liaison between the Transport Authorities of adjoining States (paragraph 25.6).

(3) Any review of the acts and orders of Transport Authorities with respect to their legality, regularity, or propriety, should be carried out by a judicial authority and the State government should not issue any orders with respect thereto without the concurrence of the judicial authority (paragraphs 40.1 and 40.3).

(4) State governments should give increased attention to the development of motor transport in the interior of their States by giving tax concessions to operators and priority to bridge construction etc., on selected routes (paragraphs 45.2 and 45.3).

(5) Minimum fares and freights for transport services need not be fixed at present (paragraph 46).

(6) Scope should be allowed deliberately and as a matter of policy to private enterprise to develop new routes (paragraph 47).

(7) The discretion of Transport Authorities in the matter of giving permits to commercial vehicles should not be interfered with by State governments. This applies particularly to the question of giving licences to single vehicle owners as the Transport Authorities are under a statutory obligation to associate remunerative and unremunerative bus services (paragraphs 58 and 59).

(8) State governments should study the procedure adopted in the United Kingdom and arrange for a more expeditious method of collecting taxes from the motor vehicle user. The Central government should assist by permitting selected post offices to collect these taxes (as in the United Kingdom) or the State governments should permit their taxing authorities to accept "crossed" postal orders (paragraph 60).

(9) The States should, where necessary, increase the number and quantity of their motor vehicles inspecting staff and raise the fees charged for this purpose where necessary (paragraph 61).

(10) The question of the maintenance of transport statistics and submission of returns should be studied by the Transport Advisory Council (paragraphs 63.1 to 63.3).

(11) The restrictions on the carriage of goods by road imposed by the Code of Principles and Practice should not be enforced during the next three years (paragraphs 117.5, 117.6, and 121).

(12) Transport Authorities should grant private carrier permits freely as provided by Section 53 of the Motor Vehicles Act of 1939 [paragraphs 118.3, 118.4, and 121(3)].

(13) A tribunal should be established with all-India jurisdiction to deal with complaints against State Undertakings [paragraphs 119.3(3) and 121(4)].

(14) The Motor Vehicles Act should be amended in respect of Sections 47 and 55 to provide when granting permits for consideration of the adequacy of other transport services of whatever kind operating or likely to operate in the near future [paragraphs 117.7 and 121(2)(d)].

Taxation Policy

(15) The tariff policy of the Central Government should take into account the effect very high duties on transport have on agricultural and industrial development. [paragraphs 19.3, 136.2, and 150.2(4)].

(16) Motor vehicles used for commercial purposes should not be regarded as luxuries for the purposes of taxation. The tariffs should be brought down at least to the pre-1950 level (paragraphs 19.3 and 144.1).

(17) Subsidies should be given to assist in the development of the motor vehicle manufacturing industry in India. These are better than protective tariffs (paragraphs 53.2 to 53.4).

(18) Fuel for diesel-engined motor vehicles should continue to receive preferential treatment (paragraphs 55 and 141.1).

(19) Cultivators' carts should not be separately taxed but a "road cess" of one anna in the rupee on land revenue should be imposed for road-use and available (paragraphs 56.2 and 142.1 to 142.3).

(20) Carts plying for hire and reward in and near towns should be reasonably taxed (paragraphs 56.3 and 142.4).

(21) The use of rubber tyred carts plying in and near towns should be encouraged (paragraph 56.4).

(22) Local bodies should not be permitted to tax motor vehicles (paragraphs 57.2, 57.3 and 128.1 to 128.5).

(23) The losses incurred on any form of transport-communications maintained for purposes of defence or national welfare should not throw any additional charge on transport users as such but should be borne by the general taxpayer (paragraph 119.4).

(24) Co-ordination of inland transport under present conditions in India should be achieved by methods other than the giving of artificial support to alternative forms of transport. The controlled elimination of obsolete and obsolescent forms of transport would be in keeping with a dynamic policy as opposed to a static policy that would aim merely at maintaining the *status quo* in spite of modern technical developments (paragraph 120).

Miscellaneous

(25) The road engineers of the Centre and States should discuss in conference the question of limitation of vehicle weights (paragraph 62).

(26) The principles advocated in the "Nagpur Plan" as applicable to road maintenance and development should be accepted and applied by the Union and State governments (paragraphs 72 and 73).

(27) The Union and State governments should consider raising loans to fund their road development programmes (paragraphs 75.1 and 75.2).

(28) Legislation should be enacted in India on the broad lines of the American Federal Aid Road Acts or similar Acts in Australia (paragraph 106) embodying the principles listed in paragraph 72 (paragraph 76).

(29) An "Associated Council" of the Transport Advisory Council should be created to make known the views of the users of motor vehicle transport (paragraphs 116 and 121).

(30) The railways should not add to their route mileage by constructing uneconomic lines (except for purposes of defence) or restoring such lines dismantled during the last war. Many short-distance feeder and link railway lines that are not paying their way should be dismantled [paragraphs 117.2, 117.3 and 121(2)(b)].

(31) The statutory obligations imposed on the railways with respect to the carriage of goods should be "eased" to permit them to refuse to carry "short-distance smalls" in certain cases (paragraphs 50.2, 50.3 and 119.2).

(32) No new State transport undertakings should be set up nor should the existing undertakings be further developed until the State concerned is satisfied that it is in a position to provide better road transport services than those provided by private operators. The proof that the service is "better" to be ascertained by comparing with competitive private services operating on the same routes or on comparable routes in the neighbourhood [paragraphs 119.3(1) and 121(4)].

(33) The States should not attempt any large scale development of the road-haulage business until State passenger transport undertakings have established their efficiency [paragraph 119.3(2)].

Detailed Taxation Recommendations

Central Taxes

(34) Until road communications in India are better developed than at present no change should be made in the present *duties of customs and excise on motor spirit* [*paragraph* 138(1)].

(35) An amount representing 4½ annas of these duties should be credited to the States' Road Funds to "match" on a three quarter basis the proceeds of the States' fuel tax credited to those funds [paragraph 138(1)].

(36) *The duties of customs and excise on motor vehicles, tyres, parts, and accessories* should remain at the level they stood at before the 1st March 1950 [paragraph 138(2)] but should higher duties have to be imposed for any reason, the differences between these higher duties and the duties at the 1950 rates should be credited to the Central Road Fund (paragraph 136.3).

(37) The Centre besides matching the States' fuel tax should support liberally plans for road development [paragraphs 139.1 and 144.1(2)].

(38) The Centre should also levy a "transport cess" of 1½ annas a gallon on motor spirit in addition to the existing duties of customs and excise on this commodity. The proceeds of this cess should be used to pay the cost of distributing motor spirit by rail so that its selling price will be sensibly the same throughout India (paragraph 145.4).

(39) *The duties on diesel* oil and other fuels should remain as at present but a countervailing tax should be imposed on diesel-engined motor vehicles [paragraphs 138(3) and 141].

States Taxes

(40) Only two taxes on the motor vehicle user should be levied by the States, *the States' fuel tax and the States' motor vehicle tax.* All other taxes on transport including sales taxes on fuel and taxes on the carriage of passengers or goods by road should be abolished as also all "entrance fees", octrois, and all local taxes on motor transport or on passengers or goods in transit [paragraphs 126 to 131].

(41) The proposed taxes are NOT to be regarded as additional taxes but as substitutes for existing taxes. The tax recommendations made by the Committee follow logically from the acceptance of the transport policy outlined in paragraphs 112 to 121 and no tax that is not in accordance with this policy should be levied (paragraph 127.3).

(42) *The States' fuel tax* should be fixed at present at six annas gallon on motor spirit [paragraph 140(1)].

(43) This tax should be collected by the Centre as a *surcharge* on the Central duty on motor spirit and credited ultimately to the various States' Road Funds (to be created). In the agreement that authorizes the Centre to collect this surcharge, it is to be made quite clear the monies collected are State monies (paragraph 130).

(44) The sales tax on motor vehicles and accessories to remain but the rate should be the same as for other non-luxury goods (paragraph 127.2).

(45) The only tolls that should remain are those levied at ferries (ferry charges), the rates being so adjusted that the ferries yield no net profit, and tolls levied at new bridges when the toll proceeds are used to redeem loans taken for constructing the bridges, the tolls being abolished as soon as the loans are paid off (paragraph 127.2).

(46) Assistance is to be given to local bodies when this is justified (paragraph 128).

(47) Fees should be so adjusted as to cover the cost of services rendered: fees should not be allowed to grow into taxes (paragraph 129).

(48) *The States' motor vehicle tax* should ultimately be the same in all States and should conform for the present to the schedule laid down in Table 22. The proceeds should be paid into the States' Road Funds (to be created) [paragraphs 131 and 140(2)].

(49) The Central and States governments should regard themselves as partners in all road transport undertakings as they supply the roads, the main capital asset of these undertakings. It is in the interests of these governments to supply good roads and for this reason, the main yield of the taxes on the motor vehicle user should be regarded as a road rent (paragraphs 133.1, 131.2 and 136.3).

(50) The general taxpayer must also contribute to the upkeep of roads paying for the "community use" of roads (paragraph 133.2).

(51) There should be no "double taxation" on motor vehicles, even if the taxes in all States are not the same, but uniform taxes are recommended (paragraph 145.2).

(52) Taxation measures should not deny the country the benefits of technical progress (paragraph 146).

(53) The proceeds of the modified taxes recommended by the Committee should all be credited into non-lapsing road funds as should also the States' contribution from general revenues for "community use" of roads. Capital grants should also be non-lapsing (paragraphs 148.1 to 148.3).

(54) The taxation principles recommended for adoption by the Committee should be embodied in an all-India Motor Vehicles Taxation Act parallel to the Motor Vehicles Act of 1939 *vide* item 35 of List III (the Concurrent List) of the Seventh Schedule of the Constitution of India (paragraph 149).

APPENDIX I

CONSTITUTION OF THE MOTOR VEHICLE TAXATION ENQUIRY COMMITTEE—RESOLUTION No. 30-T(14)/49 PUBLISHED IN THE GAZETTE OF INDIA ON THE 20th APRIL 1950.

GOVERNMENT OF INDIA

MINISTRY OF TRANSPORT

RESOLUTION

New Delhi, the 20th April 1950

No. 30-*T*(14)/49.—The question of undertaking a scientific examination of the present methods of taxing motor transport, to bring about uniformity in the basis as well as the level of taxation, to remove anomalies of double and multiple taxation, and to promote inter-State reciprocity, has been under consideration for some time. A definite recommendation for the appointment of a Committee to report on the subject was made by the Transport Advisory Council, at its meeting held in July 1949. In view of the growth of motor transport in the country in recent years and the constitutional developments that have taken place, it is considered that the time has come when an attempt should be made to collect all available data on this difficult subject so that a decision may be facilitated and the lines of legislation to be undertaken under entry 35 of the Concurrent List of the Seventh Schedule to the Constitution of India settled. It has accordingly been decided to appoint a Committee to take such evidence as it considers desirable and to furnish a report.

2. The terms of reference to the Committee will be as follows :—

"With a view to establishing a fair basis of taxation of motor vehicle users by the Union and State Governments and Local Authorities and for the purpose of furnishing advice and information upon which legislation may be undertaken, the Committee shall :—

(1) survey the existing systems of taxation of motor vehicle users in India; and

(2) recommend;

(a) the basis of a scientific system of taxation of the motor vehicle users to ensure the provision and development of cheap, rapid, and efficient transport, for different categories of users by the means best suited for the kind of traffic involved and with a view to obtaining proper co-ordination between the different forms of inland transport;

(b) the method of securing reciprocity in taxation between the various taxing authorities, and

(c) the principles on which any part of the proceeds of the taxation of motor vehicle users by the Union and State Governments and Local Authorities should be made available for road maintenance and development.

3. The composition of the Committee will be as shown below :—

Chairman

Shri M. N. Dalal, Chairman, Indian Roads & Transport Development Association.

Members

Shri G. M. McKelvie, I.S.E., Consulting Engineer (Roads) to the Government of India.

Shri N. C. Ghosh, Director General, Transportation, West Bengal and (*ex-officio*) Secretary, Home (Transport) Department and State Transport Commissioner.

Appendix I

Shri T. S. Krishna of M/s. T. V. Sundaram Iyengar & Sons, Ltd., Mathurai (Madras).

Shri K. R. P. Aiyangar, Ministry of Finance, Government of India.

Shri A. A. Brown, Director, Traffic (General), Railway Board.

Secretaries

Shri C. S. Anantapadmanabhan, Officer on Special Duty, Roads Organisation, Ministry of Transport, Government of India.

Shri C. S. Nair, Secretary, Indian Roads & Transport Development Association, Bombay.

4. The Committee will prepare and notify its programme in due course. Meanwhile, persons who desire to be called as witnesses should apply in writing to the Secretary of the Committee care of the Consulting Engineer to the Government of India (Roads), Jamnagar House, Shahjahan Road, New Delhi, giving their full names and addresses, together with a brief memorandum on the points on which they desire to give evidence.

5. The Central Government hope that the State Governments and Local Authorities will afford the Committee all the assistance it may require and supply it with any information it may ask for.

S. CHAKRAVARTI, Joint Secy.

APPENDIX II

A. QUESTIONNAIRE ISSUED BY THE MOTOR VEHICLE TAXATION ENQUIRY COMMITTEE AFTER ITS FIRST MEETNG ON THE 8th MAY 1950.

QUESTIONNAIRE

NOTE.—In replying to the questions below, facts and figures should as far as possible be supplied in support of any statements of opinion made.

1. FULL NAME

(BLOCK CAPITALS)

2. DESIGNATION

3. ADDRESS

4. REPRESENTING

I—PRINCIPLES OF TAXATION

1. Do you think it is right to differentiate in the matter of taxation between motor vehicles and the commodities required for their maintenance and working on the one part and other commodities liable to customs or excise duties on the other part? If so, do you consider such differentiation is justified?

2. Do you think the guiding principle in taxing motor vehicles should be to collect the greatest possible revenue, the limit of such taxation being governed solely by what the commodity can bear?

3. If not, do you think the guiding principle should be that motor transport, as a service, should only be taxed to provide

(a) a contribution towards general revenues to the same extent as the railways or other services contribute to general revenues; and, in addition,

(b) to pay a fair share towards

(i) the cost of upkeep and development of roads, and (ii) the cost of administering and controlling this form of transport?

4. If your answer is in the affirmative, do you think it is possible to lay down principles ensuring there is no unfair competition between different forms of transport and encouraging the use of that means of transport best suited for the kind of traffic involved?

5. If you have other views, what do you think should be the principle on which taxes on motor vehicles should be levied and what should be the limit of such taxation?

II—MOTOR VEHICLE TAX ASSESSMENT BY DIFFERENT TAXING AUTHORITIES.

6. (1) Do you consider that the existing rates of the following taxes are inadequate, excessive, inequitable, or unjustified?

(a) *Central Government Taxation.*

(i) Import and excise duties on motor vehicles, parts and accessories, tyres and tubes, machinery and other materials required for the motor transport business;

(ii) Import and excise duties on motor spirit, power alcohol, diesel oil, lubricants;

(iii) *Any other taxes*, direct or indirect (to be specified).

Appendix II-A

(b) *State Government Taxation.*

(i) Taxes on motor vehicles;

(ii) Permit charges and inspection fees levied on transport vehicles and buses;

(iii) Driving Licence fees;

(iv) Other miscellaneous fees;

(v) Sales tax on motor vehicles, spare parts, fuel, lubricants, and other items;

(vi) Taxes on goods and passengers carried by road;

(vii) Tolls;

(viii) Pilgrim and other taxes (to be specified).

(c) *Taxation by Local Bodies.*

Local taxes, including municipal vehicle tax; wheel tax; tolls and octroi duties; rent for bus stand; and other taxes or charges (to be specified).

(2) If so, state what the present rates of taxes are and to what extent they are inadequate, excessive, inequitable, or unjustified and what you consider to be the proper rate and method of taxation in each case.

(3) Would you advocate the merging of local bodies taxation into that collected by the State? If so, on what basis should the local bodies be compensated?

7. (1) Would your reply to question 6 above be altered if any change is made in the appropriation of the proceeds of the taxes—for example, if greater proportions of the proceeds of the taxes are regarded as tolls or rents for the use of roads and are utilised towards development or maintenance of roads and providing amenities for road users;

(2) If so, indicate as far as possible the extent to which the taxes should be limited for the purposes of general revenues, for utilisation on road development, etc.; and justify differentiation in the case of motor vehicles or road transport when the proceeds of general taxation are not earmarked for specific purposes.

8. Would your answer to question 6 be different if road transport were a nationalised service?

9. Do you think, as between different classes of vehicles the following basis of assessment on the lines recommended by the Technical Sub-Committee of the Subject Committee on Transport in 1943, is satisfactory?

Motor Cars	... Unladen weight.
Buses	... Seating capacity.
Goods vehicles	... Laden weight.
Luxury vehicles	... Luxury tax

If so, do you think this could be accepted as a uniform basis throughout the country, the levels of assessment on this basis possibly being allowed to vary? Would you in addition favour a uniform level of taxation throughout the country?

Or

10. Would you suggest any other basis of assessment as between different classes of vehicles? And could this basis in your opinion be applied uniformly throughout the country?

11. Do you think that a sound principle would be that every vehicle, in addition to being taxed to provide a contribution to general revenues, should be taxed in accordance with the use it makes of the road, in the shape of—

(a) *a fuel tax*, as a measure of wear and tear caused to the road (compensating taxes being levied when any fuel, such as diesel fuel cannot be properly taxed)?

(b) *a weight tax*, as a measure of damage caused to the road? and

(c) *an availability tax*, as a measure of road facilities available?

12. Do you approve of taxes, cesses, or surcharges on passengers or goods carried by road? If so, on what basis should such taxes be levied?

III—INCIDENCE OF TAXATION

13. Do you consider that the existing taxes on transport are in any way inequitable or discriminatory :—

(i) as between classes of road users,

(ii) as between road users and users of other forms of transport,

(iii) as between road users and other beneficiaries from road availability, or

(iv) as between the road transport industry and other industries considered as contributors to the general revenues of the State?

14. (1) Do you consider that, generally, the existing incidence of taxation as between different classes of road users is fundamentally sound in principle?

(2) Can you suggest any principles which should govern the incidence of taxes on transport? If so, can you suggest changes in the existing structure of such taxation?

15. Would you accept the principle that where a road offers facility of access to a property, the property should be taxed in respect of such benefit? If so, would you agree that roads in urban areas should be mainly financed out of property taxes whereas through routes should be mainly financed by road user and betterment taxes?

16. Should there be a single tax collecting authority or a single tax paid in a lump sum on each vehicle at a fixed time?

17. Do you advocate a uniform scheme of taxation for the whole country and have you any suggestions to make on this account?

18. Do you represent any particular commercial interest? If so, is your interest in any way hampered by the existing structure or rates of motor vehicle taxation?

IV—RECIPROCITY IN TAXATION

19. Detail any difficulties experienced at present owing to the absence of reciprocity in taxation measures, as between different regions, and as between different authorities?

20. Do you think that for the purpose of avoiding double taxation the rate of tax should be uniform throughout the country? If so, how should States obtaining a diminished revenue on this account be compensated?

21. [*NOTE* : *This question is intended only for regional taxation authorities (or authorities who impose a tax on motor vehicles registered in or plying in their jurisdiction) i.e. State Governments, and Local Bodies.*]

(1) Have you any objection to the adoption of a full scheme of reciprocity with respect to all the other regional authorities in India in respect of taxation of all types of motor vehicles? If you have any objections please indicate them in detail

[A 'full scheme of reciprocity' implies that, if a motor vehicle or accessory has been taxed by one authority, it can be brought in or used in the territory of another authority without any further payment of the corresponding tax for the same period; taxes will be considered annual for this purpose.]

(2) If your answer to (1) is affirmative or qualified, indicate whether your answer would be different with respect to regions contiguous to yours, and give full details of the differences in treatment you are prepared to mete out in that case.

(3) At present there is a limited amount of reciprocity between some of the regional taxation authorities. State whether in your experience it is satisfactory and whether it should be extended or modified in any manner.

V—PRINCIPLES OF APPROPRIATION OF THE PROCEEDS OF MOTOR VEHICLE TAXATION

22. Do you consider that motor transport is at present contributing adequately to general revenues and towards road maintenance and development?

23. Do you consider that motorists on the one part and others, directly benefiting from roads (e.g. agriculturists, owners of house property, or professional bullock-cart owners) on the other part, are each paying their due shares in return for the benefits actual or potential derived by them from roads and as contributions towards general revenues?

Appendix II-A

24. Have you any reason to consider that at present an adequate portion of the receipts from road users are not being spent towards road development or maintenance?

25. Would you support an increase in the existing taxation if the proceeds thereof were invested by statute on road development or maintenance? If so, to what extent?

VI—CO-ORDINATION AND UNFAIR COMPETITION

26. How would you adjust the tax structure so as to assist in the attainment of proper co-ordination of transport and, in particular, in the provision and development of *cheap, rapid, and efficient* transport for different categories of users by the means *best suited* for the kind of traffic involved? In this connection would you

(a) penalise, by high taxation (except for perishable goods), long distance bulk motor transport on the assumption that the railways are *best suited* to handle this kind of transport and if so, would you consider '150 miles or more', a definition of long distance?

(b) discourage monopoly road transport as making for inefficiency? and

(c) encourage the granting of permits to private operators as a protection against possible *slowness, dearness,* or other *inefficiency* of State Transport Services?

VII— REGULATION

27. (1) Do you agree that every undertaking that partakes of the nature of a service should be subjected to some form of regulation to safeguard the interests of the public?

(2) Do you agree that road and rail transport, in particular, should be subject to regulation?

(3) The railways being so meticulously regulated as at present do you concede that competition on a basis of equality between road and rail can take place only by providing either

(i) greater liberty for the railways? or (ii) greater regulation of road transport?

(4) Which of the alternatives referred to in the previous sub-question would you recommend under Indian conditions, why, and to what extent?

28. The railways work on a system of regulation of rates and are subject to certain statutory obligations. Do you not agree that road transport should also be subjected to regulation in order to avoid uneconomical competition?

29. Do you agree to the following :—

(1) that each road user should have freedom of choice of the means of transport which he considers *best suited* for his purposes,

(2) that taxation should not be aimed at restricting this choice,

(3) nevertheless, that railways are so essential that they must stay even if motor transport has to pay towards their efficient survival,

(4) that road transport can be taxed to an extent which will offset such advantages as it has over an efficient railway service.

[*Note*—If you do not agree with any of these, please indicate to what extent, if any, you would be prepared to concede to each].

30. (1) Do you think that the predominant motive in the operation of public carriers and public service vehicles should be the benefit of the community or private profit or both?

(2) To the extent, if any, to which you consider road transport is a public service (*vide* your reply to the previous sub-question), are you satisfied that the rates and fares authorised are properly related to the real cost of the service?

(3) To the extent, if any, to which you consider road transport can be considered as a profit making industry, [*vide* your reply to sub-question (1)] what regulatory measures do you consider are necessary to prevent the charges becoming excessive?

(4) As judged from the rises in fares and freights in recent years, what, do you think, is the relative importance of the following items in fare and freight rates :—

(i) price of capital goods,

(ii) cost of labour, material, and other working expenses,

(iii) taxation,

(iv) profit margin.

(5) In the above case, is the index of increase in taxes higher than the index for the increase in fares and freight rates for both road and rail transport generally and those attributable to the other items mentioned in the previous question?

31. (1) Would inflating the cost of transport have a restrictive effect on industry in general?

(2) If so, would you suggest fixation of maximum rates or any alternative means as a possible solution?

32. (1) Do you think one of the objectives of a National transport policy should be to secure for the community the full benefits of technical progress in the transport field?

(2) If so, do you think that motor vehicle taxation should be miposed with a view to implementing this policy, and not merely to contribute towards general revenues or to the upkeep of roads?

(3) Does the levy of taxes at present have in your opinion any restrictive effect upon the objective referred to in (1) above and if so, what changes would you suggest?

33. Do you think there is any necessity to require transport operators to maintain and furnish statistics of their operations, as a means of enforcing regulation? If so, what statistics should be required to be maintained?

VIII—MISCELLANEOUS

34. Does the motor transport industry or user have to bear, in your view, any unduly high charges, for example, to meet the cost of transport or distribution of fuel? Would you advocate a uniform charge for motor fuel throughout the country?

35. Are taxes levied in a manner convenient to the taxpayer or does he suffer from inconvenience and inordinate delays? What improvements would you suggest?

36. Is the method of collection of taxes systematic, simple, and methodical, or complicated and wasteful of effort and expensive to the taxpayer?

IX—GENERAL

37. You are invited to furnish any other facts or considerations that are relevant to the terms of reference of the Committee and that you would like to place before the Committee for consideration. Any information available with you regarding the position of motor vehicle taxation in other countries may also be given mentioning the source.

Signature.....

Date.....

Appendix II-B

APPENDIX II

B. TOUR PROGRAMME OF THE COMMITTEE AND LIST OF PERSONS WHO GAVE ORAL EVIDENCE BEFORE THE COMMITTEE.

BOMBAY

18th July 1950

Name	Representing/Designation
1. Mr. S. C. Sharma	North Deccan Regional Motor Union Congress, Nasik.
2. Mr. A. B. Pandya and Mr. G. D. Modi	Passengers and Traffic Relief Association, Bombay.
3. Mr. M. H. Shah and Mr. K. R. Paymaster	Premier Automobiles.
4. Mr. H. P. Randeria	Nasik District Motor Union Congress.
5. Mr. R. N. Sinha	Local Bodies Conference, Bihar.
6. Mr. Trilochan Singh, Mr. M. S. Sawhney, Mr. H. R. Bahrj, Mr. S. S. Dhody and Mr. Tara Chand.	Bombay Motor Lorry Owners Association.

19th July 1950

7. Mr. L. A. Halsall, Mr. H. C. DeMierre and Mr. H. Schuepp.	Bombay Chamber of Commerce.
8. Mr. S. N. Chawla	B.E.S.T., Bombay.
9. Mr. E. A. Nadirshah, Mr. P. Chinoy and Mr. Jehangir.	Western India Automobile Association.
10. Mr. S. A. Pawar	Government of Kutch.
11. Mr. D. D. Sathe	Bombay State Road Transport Corporation.
12. Mr. F. P. Antia, Mr. R. Johnson, Mr. A. D. Dhingra, Mr. E. A. Oakley and Mr. A. S. Irani.	I.R.T.D.A

20th July 1950

13. Mr. Hill and Mr. Tata	Messrs Burmah-Shell.
14. Mr. Wenzel and Mr. Aying	Federation of Motor Transport Associations.
15. Mr. P. F. Merwanji	Ambajee Motor Service, Mount Abu.
16. Mr. R. G. Saraiya, Mr. M. R. Ruia and Mr. A. C. Ramalingam.	Indian Merchants Chamber.
17. Mr. P. T. Koman Nair	Government of Madhya Pradesh.
18. Prof. C. N. Vakil	Director, University School of Economics, Bombay.

21st July 1950

19. Mr. H. Chinoy, Mr. Guevrek and Mr. Shoebridge.	Motor Manufacturers' and Importers' Association.
20. Mr. B. K. Patel, Mr. L. S. Kagal and Mr. S. V. Vartak.	Bombay Municipal Corporation.

MADRAS

24th July 1950

1. Mr. S. Gangadharan	Government of Travancore-Cochin.

25th July 1950

2. Dr. B. Natarajan	Economic Adviser to the Government of Madras.
3. Mr. A. A. Hayles, Mr. N. R. Krishnamma and Mr. J. A. Deva sahayam.	Automobile Association of Southern India.

Appendix II-B.

MADRAS

25th July, 1950.

Name	Representing/Designation
4. Mr. Hanumantha Rao, Mr. Mathew, Mr. Sukumaran and Mr. A. V. Lokanatha Mudaliar.	Government of Madras.
5. Dr. V. K. John	M. L. C., Madras.

26th July 1950

6. Mr. K. S. Pathy	Thirupathi Devasthanam.
7. Mr. R. Nataraja Iyer	Chittoor Motor Transport Co.
8. Mr. Y. Ramabrahmam, Mr. B. S. Murthy and Mr. N. S. R. Murthy.	Andhra Provincial Motor Union Congress.
9. Mr. G. N. Nagaraja Rao	Government of Mysore.
10. Mr. Ananthasivan	United Planters Association.

27th July 1950

11. Mr. T. S. Santanam, Mr. Kudva and Mr. S. N. Ramaswamy.	The Madras Motor Vehicle and Allied Merchants' Association.
12. Mr. Peter Reid, Mr. Griffith and Mr. Santanam.	I.R.T.D.A.
13. Mr. K. K. Subba Row	President, Malabar Bus Owners' Association.

28th July 1950

14. Mr. Mathew	Dy. Transport Commissioner, Madras.
15. Col. Pratt	Ashok Motors Ltd.
16. Mr. M. S. Venkataraman . . .	Chairman, Port Trust, Madras.

CALCUTTA

31st July 1950

1. Mr. S. C. Parija	All Orissa Motor Union Congress, and other Associations, Cuttack.
2. Mr. P. Chatterjee	Automobile Association of Bengal.
3. Mr. R. K. Jaidka	Bengal Bus Syndicate, Calcutta.
4. Mr. B. B. Dam	Government of Manipur State.

1st August 1950

5. Mr. M. Ramakrishnayya	Government of Orissa.
6. Mr. H. S. Ghosh Choudhury . . .	Government of West Bengal.
7. Sir L. P. Misra	Automobile Manufacturers' Association of India and the Indian Chamber of Commerce.
8. Mr. S. N. Ghosh	Inst. of Engineers, Calcutta.

2nd August 1950

9. Mr. Das	Government of Assam.
10. Mr. Dewar	Motor Industries Association, Calcutta.
11. Mr. A. D. Khan	Calcutta Corporation.
12. Dr. N. Sanyal, Mr. G. L. W. Moss and Mr. D. D. Sawney	I.R.T.D.A.

DELHI

5th August 1950

1. Mr. V. K. Iyer	All India Motor Union Congress, Nagpur and Delhi.
2. Mr. B. R. Jain and Mr. S. K. Banerji .	Delhi Motor Trader Association.

Appendix II-B

DELHI

5th August 1950

Name	Representing/Designation
3. Sardar Rajinder Singh	State Motor Transport Controller, Delhi.
4. Lt. Col. Aimable and Mr. Prem Nath	Automobile Traders' Association.

7th August 1950

5. Mr. S. G. Ghosal	U. P. Government Roadways.
6. Mr. S. K. Guha and Mr. G. S. Khosla	Railway Board.
7. Mr. A. S. Dhawan	Ajmer-Merwara.
8. Mr. K. M. Bhatia	Superintending Engineer, C.P.W.D.
9. Mr. T. K. Santanam and Mr. V. S. Viji	The National Safety Association.

8th August 1950

10. Mr. V. N. Rangaswamy, Mr. Durga Dass and Mr. S. D. Dhir.	I.R.T.D.A.
11. Mr. M. L. Bahl	Chief Engineer, Bihar.
12. Mr. Suraj Singh	Government of Himachal Pradesh.
13. Mr. H. Prasad and Mr. R. A. P. Sinha	Government of Bihar.
14. Mr. J. Anand	Imperial Tobacco Co. of India, Ltd.

9th August 1950

15. Mr. B. B. Sahi	Government of U. P.
16. Mr. M. K. Krishnamachari	Dy. Director (Statistics) Railway Board.
17. Prof. S. K. Rudra	U. P. Automobile Association.
18. Mr. I. D. Sethi	United Chamber of Trade Associations.

APPENDIX III

EXTRACTS FROM THE REPORT OF THE INDIAN TAXATION ENQUIRY COMMITTEE OF 1924-25.

* * * * * * * *

"508. Consumption taxes, both customs and excises, are almost universally Imperial, the reason lying partly in the difficulty of tracing incidence and partly in the fact that the general control of inter-State trade is one of the most important of the Imperial functions."

"522. It has been pointed out that customs duties on imports have been set apart in all countries as a source of Imperial taxation, since it is the duty of the Imperial Government to regulate inter-State trade and because the incidence of these taxes is not traceable".

"507. The varying distribution of functions results in a varying distribution of expenditure by the different classes of governing bodies, and this is reflected to some extent in the taxes they levy.....

(a) Indirect taxes, with the possible exception of stamp duties, are commonly regarded as suitable sources of Imperial taxation, for the reason that their exact incidence cannot be ascertained....."

"499. *Summary.*

* * * * * * * *

(6) The octroi and the terminal tax should be abolished and replaced either by taxes on property and persons or by a tax on retail sales.

(8) The import duty on motor cars should be reduced so as to enable Local Governments to levy a provincial tax and to distribute the proceeds among local authorities..... ....."

"402. ..... It seems to them to be a function inherent in the Imperial Government, as it is by their constitutions in the Federal Governments of Australia and the United States of America, to protect inter-provincial traffic from obstruction by taxes imposed by subordinate authorities, whether these are provincial or local, and they would invite attention to the fact that, on a similar situation arising in Germany, the Imperial Government there prevented the continuance of any such obstruction by legislation, prohibiting the imposition of local taxation on certain classes of articles."

"383. While all taxes are in a sense payments for services rendered directly or indirectly by the governing authority to the tax-payer, this feature is present in a much more conspicuous degree in the case of local taxation than in that of taxes levied for the general purposes of the State."

"399. ..... In 1908 a Committee.....recommended the abolition of the octroi and the substitution of a Central tax on imports, supplemented by direct taxation which was ultimately to replace it (the terminal tax).....The Government of India in a resolution of 1917 resiled from their former policy and agreed that the conversion of octroi into terminal taxes should not be regarded as a step towards direct taxation. Soon after this came the Reforms, and with them the transfer of the control of local self-government to responsible Ministers, and the last few years have witnessed a number of proposals which seem to threaten the reintroduction of a system of affairs not dissimilar to that which prevailed under the old transit duties.

* * * * * * * *

The history of these taxes is one of many expressions of pious opinion, accompanied by little in the way of practical action. They are the direct successors of the transit duties, the continuance of which was one of the scandals of earlier British rule in India, and the abolition of which by Lord Ellenborough freed the trade of the country from an intolerable burden. As early as 1864, Sir Charles Trevelyan pointed out the danger that existed of the old transit duties being replaced by a similar evil in the shape of town duties, and resolutions purporting to limit the operation of the latter were issued by the Government of India

Appendix III.

in 1864, 1868, 1877, 1899 and 1903. The following are some of the more important features of the policy laid down :—

(a) The tax was to be restricted to a few articles of local consumption, and the necessaries of life were to be taxed moderately.

(b) The octroi levied was to be refunded in the case of dutiable articles which were re-exported.

(c) Municipalities were to provide bonded warehouses or other conveniences for the storage of goods in transit.

(d) Certain articles, such as salt, opium, liquors, articles liable to customs duty and imported by sea into India, and property of the Government were to be exempted from the tax."

"413. Terminal tolls are levied by certain municipalities in the United Provinces to counterbalance the terminal tax on goods arriving by rail. They differ from the octroi in three ways, viz. (1) no refunds are allowed as in the case of the octroi; (2) there are no *ad valorem* rates; (3) except in towns in which terminal rates have been imposed on articles in respect of which evasion of the terminal tax was commonly practised, the toll is assessed on the vehicle and not on the weight of each consignment. It is obvious that, once the rates of terminal tax are raised above a certain level, it becomes necessary in order to prevent evasion to supplement it by a toll of this sort."

"419. Should any such general scheme of taxation of motor vehicles be developed, it is desirable that there should be in connection with it the possibility of a reduction of the import duty. It has been stated in a previous chapter that the tax at 30 per cent. has justified itself in as much as it has brought in a large revenue without decreasing the number of vehicles imported. At the same time, it must be remembered that India is very inadequately supplied with railway facilities, and the introduction of motor transport services in many provinces has brought the rural classes into closer touch with the cities. Motor lorries are also displacing bullock carts where there are good roads. It is difficult to exaggerate the political and economic advantages of rapid means of transport in India, and the development of motor transport services should, in the opinion of the Committee, be encouraged by the Government. If the two propositions are accepted, first, that an increase in motor transport would be for the benefit of the country, and second, that motor vehicles, especially those of the heavier types, are items in respect of which local authorities are entitled to take a fair share of the taxation, then it would appear that sooner or later a reduction of the import duties is desirable."

"454. ..... Meanwhile, the Committee recommend that a strenuous endeavour should be made to get rid of indirect taxation in the shape of octroi and terminal taxes and to replace it, if not by taxation of property and persons, at least by something in the nature of a tax on sales. The tax in its present form is one that is condemned by economists everywhere, and there are visible tendencies to develop it into a regular tax on transit, so much so that the Committee have ventured to suggest that it is a function of the Central Government to exercise more control in the interests of the general trade of the country".

"482. It will be observed that the burden of taxation on the poorest class corrected with reference to the price index has on the whole increased, mainly owing to the increase or new imposition of customs duties on articles of universal consumption..... The taxes which press most heavily on the poorest class are the..... municipal taxes on consumption, such as the octroi.....The Committee have suggested a removal of the burden of the octroi and terminal tax by the substitution for them of direct taxation which can be graduated according to income or taxable capacity."

* * * * * * * *

APPENDIX IV

NUMBER OF MOTOR VEHICLES IN DIFFERENT COUNTRIES.

Year	India*	U.K.	U.S.A. (Millions)
1923	47,456	1,105,388	15·092
1924	46,349	1,299,629	17·594
1925	48,797	1,509,627	19·937
1926	54,220	1,715,427	22·001
1927	70,723	1,885,553	23·133
1928	96,275	2,038,594	24·493
1929	117,900	2,181,832	26·501
1930	122,051	2,273,661	26·545
1931	....	2,200,708	25·814
1932	114,805	2,227,099	24·115
1933	125,888	2,285,326	23·874
1934	127,878	2,405,392	24·952
1935	132,974	2,570,155	26·231
1936	121,933	2,758,346	28·166
1937	135,124	2,928,828	29·705
1938	131,886	3,084,896	29·486
1939	136,985	3,148,600	30·615
1940	139,411	2,325,000	32·025
1941	130,837	2,477,800	34·461
1942	121,282	1,840,400	32·582
1943	131,069	1,537,300	30·500
1944	142,172	1,592,600	30·086
1945	144,694	2,552,500	30·638
1946	168,369	3,106,810	33·946
1947	178,299	3,515,444	37·360
1948	269,269	3,728,432	40·622

* Financial year commencing from 1st April of the year.

APPENDIX V

TAX PAYABLE BY A 30 SEATER BUS IN MADRAS

(Excluding fees payable for registration, inspection and permits)

CENTRAL TAXATION :			
(a) Annual incidence of Import Duty on a bus chassis. (Duty @ 70% on approximate landed cost of a chassis, less tyres, of Rs. 5,700/=3,990 spread over an assumed life of 8 years	Rs.	499	
(b) Central petrol duty on 2727 gl. @ 15 as. per gl. (Assumed to run 30,000 miles at 11 miles to the gallon) ..	Rs.	2,557	
(c) Import Duty on spare parts utilised (consumption per bus taken as Rs. 3000. Duty at 70% on the approximate landed cost of Rs. 1,300)	Rs.	910	
(d) Excise Duty on Tyres & Tubes (consumption taken at 2½ sets of Tyres and 1 set of Tubes costing Rs. 4,654 at 30% on the approximate assessable value of Rs. 3,000) ..	Rs.	900	4,866
MADRAS GOVERNMENT TAXES :			
(a) Annual incidence of Sales Tax on a new bus—Cost less tyres Rs. 17,725 ; tax at 9 pies per Rupee=831 spread over 8 years.	Rs.	104	
(b) Petrol Sales Tax on 2727 gls. at 4 as per gallon. ..	Rs.	682	
(c) Sales Tax on spare parts worth Rs. 3,000 at 9 pies per rupee	Rs.	141	
(d) Sales Tax on Tyres, Cost Rs. 4,654 @ 9 pies per rupee	Rs.	218	
(e) Motor vehicle tax for 30 seats	Rs.	3,600	
(f) Stand fee paid to Local Bodies	Rs.	300	5,045
BOMBAY GOVERNMENT SALES TAX (export tax) :			
(a) Annual incidence of Sales Tax on a new bus (dealer price of chassis Rs. 11,000) at 6 pies per Rupee=344 spread over 8 years.	Rs.	43	
(b) Sales Tax on spare parts @ 6 pies per rupee on the approimate dealer price of Rs. 2,250 at Bombay. ..	Rs.	70	113
Total			10,024

NOTE—Cost of tyres taken at list prices less 10 per cent. discount.

APPENDIX VI

TAXES ON TYPICAL VEHICLES IN STATES

A.—Sample Vehicles Taken for Purpose of Comparing State Taxation

In the following statements, the first one (A) gives particulars of the *typical* vehicles for which operational particulars are worked out in the other tables (B, C, D, E & F).

2. It will be noticed that for the light car a 14 H. P. vehicle has been selected costing Rs. 10,000 and its annual mileage has been assumed as 6000. Corresponding details for the other vehicles are also thought to be typical of those in use in India.

	Passenger Car		Lorry	Bus
	Light Car	Medium Car		
Price	Rs. 10,000	15,000	13,700	19,700
Horse Power	14	30	30	30
Weight unladen/lbs.	2,500	4,000	7,000	8,000
„ Laden/lbs.	3,200	5,000	14,500	14,000
Seating capacity	4	6	...	30
Wheelbase	...	...	157"	199"
Tyres	5·25×16	6·00×16	32×6 front 34×7 (Dual rear)	32×6 front 34 × 7 (Dual rear)
Total annual mileage.	6,000	8,000	20,000	30,000
Average miles per gallon.	23	16	11	11
Annual petrol consumption.	261	500	1,818	2,727
Average load carried @ 2/3 capacity for trucks and 5/6 for buses.	...	...	5,000 lbs.	25 passengers
Estimated gross earnings @ 12 as. per vehicle mile for lorries and 7½ pies per passenger mile for bus.	...		Rs. 15,000	29,297

Appendix VI-B

APPENDIX VI

TAXES ON TYPICAL VEHICLES IN STATES

B.—Annual Taxation On a Light Passenger Car In Various States

(Excluding initial registration fee, and export sales tax levied by the Bombay Government).

(in Rupees)

State	Vehicle Tax	Petrol Sales Tax		Sales Tax on Vehicle & Accessories:		Total State Taxation.	Local Taxes Approx.	Central Taxation. §	Consolidated Total.
		@ as per gl.	Tax on 261 gls.	Rate per Re.	Tax on Rs.1361*				
Madras	120	4	65	9 p.	64	249		675	924
Bombay	60	2	33	1 a.	85	178	100**	675	953
W. Bengal	48	6	98	9 p.	64	210		675	885
U. P.	45	2	33	6 p.	42	120		675	795
Punjab	80	3	49	6 p.	42	171		675	846
Bihar	75	5	82	3 p.	21	178		675	853
Madhya Pradesh	100	4½	73	1 a.	85	258	(b)	675	933
Assam	36	3	49	Veh. 1 a. Acc. 6 p.	72	157		675	832
Orissa	100	6	98	6 p.	42	240		675	915
Delhi.	80	..	..	..	..	80		675	755
Hyderabad	14	2	33	8 p.	57	104	36(a)	675	815
Madhya Bharat	40	2¼	37	6 p.	42	119		675	794

* Made up of depreciated annual value of car (less tyres) of Rs. 963, plus annual tyre value Rs. 148, plus parts consumed Rs. 250.

** Municipal wheel tax in Bombay City is Rs. 140 but as other Municipalities charge less an average of Rs. 100 is taken.

(a) This is wheel tax. The toll tax which local bodies are empowered to levy is not included.

(b) Municipal wheel tax in Madhya Pradesh is not taken into account as an equivalent rebate is given in the State tax.

§ The Central tax is worked out as under:—

Import Duty on motor car (less tyres), approx.	Rs. 3,200
Annual incidence of duty, assuming a vehicle life of 10 years	Rs. 320
Central petrol duty on 261 gls. @ 15 as. per gallon	Rs. 245
Excise duty on tyres assuming 15,000 miles per set of tyres costing Rs 369. One set lasts 2½ years. 2/5 of excise duty of approximately Rs. 84 per set.	Rs. 34
Import duty on spare parts: consumption per year Rs. 250; C. I. F. value Rs. 108; Import duty @ 70%	Rs. 76
Total :	Rs. 675

Note: Tyre value taken at 10% off list price.

For taxation on the basis of the recommendations made in the Report see last table (i.e., Appendix VI-F).

APPENDIX VI

TAXES ON TYPICAL VEHICLES IN STATES

C—Annual Taxation On a Medium Car In Various States

(Excluding initial registration fee and export sales tax levied by the Bombay Government).

(In Rupees)

State	Vehicle Tax	Petrol Sales Tax		Sales Tax on Vehicles and Accessories :		Total State Taxation.	Local Taxes Approx.	Central Taxation §	Consolidated Total.
		Rate per gl.	Tax on 500 gls.	Rate per Re.	Tax on Rs.2378*				
Madras	156	4	125	9 ps.	111	392		1196	1588
Bombay	80	2	63	1 a.	148	291	125**	1196	1612
W. Bengal	70	6	188	9 ps.	111	369		1196	1565
U. P.	60	2	63	6 ps.	74	197		1196	1393
Punjab	120	3	94	6 ps.	74	288		1196	1484
Bihar	100	5	156	3 ps.	37	293		1196	1489
Madhya Pradesh	130	4½	141	1 a.	148	419	(b)	1196	1615
Assam	100	3	94	Veh. 1 a. Acc. 6ps.	119	313		1196	1509
Orissa	130	6	188	6 ps.	74	392		1196	1588
Delhi	120	..	..	..	..	120		1196	1316
Hyderabad	27	2	63	8 ps.	99	189	36 (a)	1196	1421
Madhya Bharat.	60	2¼	70	6 ps.	74	204		1196	1400

*Made up of annual incidence of vehicle cost (less tyres), Rs. 1446, plus annual tyre value Rs. 432; plus parts consumed Rs. 500.

**The wheel tax exceeds Rs. 125 in Bombay City but as other Municipalities in the State generally tax less, Rs. 125 is taken as an average.

(a) This is wheel tax. The toll tax which local bodies are empowered to levy is not included.

(b) Municipal wheel taxes in Madhya Pradesh are not taken into account as an equivalent rebate is given in the State tax.

§ The Central tax is worked out as under :—

Import duty on Touring Car (less tyres), approx.	Rs.	4,800
Annual incidence of duty assuming a vehicle life of 10 years	Rs.	480
Central petrol duty on 500 gallons @ 15 as per gallon	Rs.	469
Excise duty on tyres assuming 10,000 miles per set of tyre (costing Rs. 540). The annual wear and tear is 80% of one set. 80% of the excise duty of approximately Rs. 120..	Rs.	93
Import duty on spare parts : Consumption per year Rs. 500; C.I.F. value Rs. 216; Import duty @ 70%	Rs.	151
	Total	1,196

Note: Tyre value taken at 10% off list price.

For taxation on the basis of the recommendations made in the report see last table (i.e., Appendix VI—F).

Appendix VI-D

APPENDIX VI

TAXES ON TYPICAL VEHICLES IN STATES

D—Taxation On a Motor Lorry Of 14,500 Lbs. Laden Laden Weight In Various States

(Excluding fees payable for registration, inspection, permits etc., and export sales tax levied by Bombay Government.) (in Rupees)

State	Vehicle Tax	Petrol Sales Tax		Sales Tax on Vehicle & Accessories		Total State	Local Taxes	Central Taxation. §	Consolidated Total
		@ as. per gl.	Tax on 1818 gls.	Rate Per Re.	Tax on Rs.8222*				
Madras	1450	4	455	9 ps.	385	2280		3797	6077
Bombay	520	2	227	1 a.	514	1261	200	3797	5258
W. Bengal	150	6	682	9 ps.	385	1217		3797	5014
U. P.	463	2	227	6 ps.	257	947		3797	4744
Punjab	200	3	341	6 ps.	257	798		3797	4595
Bihar	375	5	568	3 ps.	128	1071		3797	4868
Madhya Pradesh	650	4½	511	1 a.	514	1675		3797	5472
Assam	205	3	341	Veh. 1 a. Acc. 6 p.	303	849		3797	4646
Orissa	1080	6	682	6 ps.	257	2019		3797	5816
Delhi	200	..	..	..	..	200		3797	3997
Hyderabad	214	2	227	8 ps.	343	784	48 (b)	3797	4629
Madhya Bharat	1600**	2¼	256	6 ps.	257	2113		3797	5910

* States Sales tax on annual incidence of vehicle cost of Rs. 1466, plus spare parts Rs. 3,000, plus Tyres & Tubes Rs. 3,756, Total Rs. 8222.

** Various from Rs. 10 per mile of route to Rs. 2400 p.a. for "go as you like" permit for the whole union.

(a) Lorries plying between two provinces frequently pay double taxation. Lorries from other areas plying through Indore on the Bombay-Agra Road are charged Rs. 60 to 70 per day depending on the size of tyres used.
There are in addition octroi duties on goods carried by road, the incidence of which is very heavy in certain cases, in addition to municipal wheel taxes in Bombay State.
Many vehicles and spare parts used by them, outside the State of Bombay have to pay an export sales tax to Bombay government the incidence of which may amount to about Rs. 125 annually. This is not included in this statement.

(b) This represents wheel tax. The toll tax which local bodies are empowered to levy is not included.

§ THE CENTRAL TAX IS WORKED OUT AS UNDER :—

Import duty on lorry, 70% on approx. landed cost of chassis, less tyres, of Rs. 5,200.	Rs.	3,640
Annual incidence of duty, assuming a vehicle life of 8 years.	Rs.	455
Central petrol duty on 1818 gls. of petrol @ 15 as. per gallon.	Rs.	1,704
Import duty on spares utilised, consumption per vehicle taken as Rs. 3,000. Duty @ 70% on approximate landed cost of Rs. 1,300.	Rs.	910
Excise duty on tyres & tubes (consumption taken as 2 sets of tyres and 1 set of tubes costing Rs. 3,756) at 30% on the approximate assessable value of Rs. 2425..	Rs.	728
Total .	Rs.	3,797

Note :—Tyre value taken at 10% off list price

For taxation on the basis of the recommendations made in the Report, see last table (i.e. Appendix VI—F).

APPENDIX VI

TAXES ON TYPICAL VEHICLES IN STATES

E—Taxation On A 30 SEATER BUS In Various States

(Excluding fees payable for registration, inspection, permits etc., and export sales tax levied by the Bombay Govt.)

(in Rupees)

State	Vehicle Tax	Petrol Sales Tax		Sales Tax on Vehicles & Accessories:		Total State Taxation.	Local Taxes (Approx.)	Central Taxation (Vide Appendix V).	Consolidated Total.†
		@ as. per gl.	Tax on 2727 gls.	Rate per Rs.	Tax on Rs.9870*				
Madras	3600	4	682	9 p.	463	4745	300 (a)	4866	9911
Bombay	500	2	341	1 a.	617	1458	120 (b)	4866	6444
W. Bengal	141	6	1023	9 p.	463	1627		4866	6493
U. P.	360	2	341	6 p.	308	1009		4866	5875
Punjab	219	3	511	6 p.	308	1038	50 (a)	4866	5954
Bihar	843	5	852	3 p.	154	1849		4866	6715
Madhya Pradesh	850	4½	767	1 a.	617	2234	(d)	4866	7100
Assam	275	3	511	Veh. 1 a. Acc. 6 p.	378	1164		4866	6030
Orissa	2320	6	1023	6 p.	308	3651		4866	851
Delhi	219	..	..	..	..	219		4866	5085
Hyderabad	247	2	341	8 p.	411	999	48 (c)	4866	5913
Madaya Bharat	275	2¼	383	6 p.	308	966		4866	5832

*Depreciated annual incidence of cost distributed over 8 years Rs. 2216, plus spare parts Rs. 3,000, plus tyres Rs. 4,654=9870.

†On vehicles and parts distributed to other States from Bombay, the latter State levies an export sales tax of 6 pies per rupee. The incidence annually per vehicle, including parts consumed, amounts, for a Madras bus, to Rs. 113. Vehicles in many other States incur this tax. This however is not included in this statement.

(a) Bus stand fees (b) Municipal tax (c) This is wheel tax. The toll tax which local bodies are empowered to levy is not included.

(d) Municipal tax not included as equivalent rebate is granted in State tax.

For taxation on the basis of the recommendations made in the Report, see next table [*i.e. Appendix VI-F*]

Appendix VI-F

APPENDIX VI

TAXES ON TYPICAL VEHICLES IN STATES

F—Taxes On The Basis Of Recommendations

On the basis of the recommendations made in the Report the taxes on typical vehicles in the States will be as below :

(in Rupees)

	Light Passenger Car	Medium Car	Lorry (14,500 lbs. laden weight.)	Bus (30 Seater)
A. Central Taxes :				
(i) Annual incidence of import duty on vehicle.	274	411	195	214
(ii) Import duty on spare parts.	65	129	390	390
(iii) Excise duty on tyres & tubes.	34	96	728	900
(iv) Central petrol duty @ Rs. 1/5/- per gl. (incl. -/6/- State surcharge)	343	656	2386	3579
Total Central Taxes	716	1292	3699	5083
B. State Taxes :				
(i) State Vehicle Tax	75	150	810	2280
(ii) Sales Tax on vehicle & spares at 6 pies per rupee (assumed essential commodity rate.)	42	74	257	308
Total State Taxes	117	224	1067	2588
Total all Taxes	833	1516	4766	7671

Note—Apart from the changes in taxation shown above, on the basis of the recommendations made in the Report, up-country users of motor vehicles will benefit by a reduction in the selling price of petrol and those in the coastal towns will have to bear an increase in price of 1¼ annas per gallon, resulting from the pooling of freight charges on petrol. This factor has not been allowed for in the statement above as it is not a tax. It should, however, be allowed for while considering the total burden on the motor vehicle user as measured by his operating cost.

APPENDIX VII

TAXES AND FEES LEVIED BY STATES

A. Rates Of Sales Tax In States

(Rate per rupee unless otherwise stated)

State	Rates of Sales Tax on :—							
	Luxury commodities (a)	Essential commodities (b)	Motor Vehicles (c)	Motor Vehicle accessories and spare parts (d)	Petrol per gallon (e)	Diesel oil (f)	Lubricants (g)	Tyres and Tubes (h)
	As. Ps.	As. Ps.	As. Ps.	As. Ps.	As. Ps.	As. Ps.	As. Ps.	As. P.
Madras	0 9	0 3	0 9	0 9	4 0	1 6 p. g.	0 3	0 9
Bombay	1 0	0 6	1 0	1 0	2 0	0 6	0 6	1 0
West Bengal	0 9	0 9	0 9	0 9	6 0	0 9	0 9	0 9
U.P.	0 6	0 3	0 6	0 6	2 0	0 3	0 6	0 6
Punjab	0 6	0 6	0 6	0 6	3 0	0 6	0 6	0 6
Bihar	0 9	0 3	0 3	0 3	5 0	0 3	0 3	0 3
Madhya Pradesh	1 0	..	1 0	1 0	12½% ad. v.	12½% adv.	12½% adv.	1 0
Assam	0 9	0 6	1 0	0 6	3 0	1 6 or 20% of value	4 0 p.g.	0 6
Orissa	0 6	0 6	0 6	0 6	6 0	0 6	0 6	0 6
Delhi	No Sales Tax							
Ajmer	No Sales Tax							
Coorg	..	..	..	..	2 0	..	..	..
Bilaspur	No Sales Tax							
Andamans	No Sales Tax							
Bhopal	..	..	..	..	2 0	..	..	..
Himachal Pradesh	..	..	..	..	3 0	..	..	..
Kutch	No Sales Tax							
Manipur	0 9	0 6	0 9	0 6	3 0	3 0 p. g.	4 0 p. g.	0 6
Tripura	No Sales Tax							
Vindhya Pradesh	1 0	..	1 0	1 0	1 0	1 0	1 0	1 0
Madhya Bharat	..	..	0 6	0 6	..	..	..	0 6
Travancore-Cochin	0 6 and 0 9	0 3	0 9	0 9	1 0	0 3	0 3	0 9
Mysore	0 6	0 3	0 9	0 9	4 0	1 6 p .g.	0 3	0 9
Saurashtra	0 6	..	0 6	0 6	2 0	..	..	0 6
Hyderabad	0 8	..	0 8	0 8 0 2*	2 0	2 0 p. g.	0 2	0 8
Kashmir	..	..	..	..	4 0	..	..	..

* Indian made accessories.

APPENDIX VII

TAXES AND CESS LEVIED BY STATES

B. Rates of Motor Vehicle Taxes in States—Motos Cycles

(i) Unladen Weight

(Annual Tax in Rupees)

Unladen weight	Bihar	U.P.	Rampur	Punjab Delhi, PEPSU, Bilaspur, Himachal Pradesh	Orissa	W. Bengal	Assam	Bombay	Mysore	Hydera-bad*	Kutch
Not exceeding 200 lbs.	16/8	9	9	15	30	15	5	18	22 8	4	20
Exceeding 200 lbs.	22	18	15	30	40	20	10	24			
Extra tax for Side Car	5/8	3	3	10	10	5	..	3	6	2	..

*Converted from O.S. Rupees

(ii) Horse Power

Horse Power	Madhya Pradesh	Madras and Travancore-Cochin	Coorg
Below 3½ H.P. without Side car	30	36	22
Below 3½ H.P. with side car	40		
3½ H.P. and above without side car	40	48	30
3½ H.P. and above with side car	50		

RATES OF MOTOR VEHICLE TAXES IN STATES—PRIVATE CARS

(1) UNLADEN WEIGHT

(Annual Tax in Rupees)

Unladen weight	Madras and Travancore-Cochin	Coorg	Orissa M.P. and Vindhya Pradesh	Mysore	Bombay	Assam	U.P.*	Rampur	Hydera-bad†	Bhopal
Not exceeding 15 cwt. . .	84	52	70	45	40	36	30	30	13·71	
Exceeding 15 cwt. but not exceeding 20 cwt.	120	76	100	84	60	36	30	30	13·71	
Exceeding 20 cwt. but not exceeding 30 cwt.	120	76	100	84	60	36	45	45	13·71	Flat rate of Rs. 50.]
Exceeding 30 cwt. but not exceeding 35 cwt.	156	100	130	84	80	100	45	45	27·43	
Exceeding 35 cwt. but not exceeding 40 cwt.	156	100	130	84	80	100	60	60	27·43	
Exceeding 40 cwt. but not exceeding 45 cwt.	156	100	130	150	80	100	..	60	27·43	
Exceeding 45 cwt. but not exceeding 60 cwt.	192	120	160	150	110	100	..	60	27·43	
Exceeding 60 cwt. . . .	240	152	200	150	110	100	..	..	27·43	

* Applies for vehicles with seating capacity upto six.
For vehicles with seating capacity of more than six, the rates are:

Upto 20 cwt.	Rs. 60
20—35 cwt.	„ 100
35—50 „	„ 132
50—70 „	„ 195
70 cwt. to 5 tons	„ 250
For every ton or part of a ton exceeding 5 tons . .	„ 105

† Converted from O.S. Rupees.

Madras: A.— Vehicles plying within a municipality or contiguous municipalities.

B.—Vehicles whose total permitted milage does not exceed 50 miles per day.

C.—All other vehicles plying wholly within the State of Madras.

D.—Vehicles plying on routes lying partly inside and partly outside the State of Madras and extending outside the State over a distance exceeding 8 miles and inside the State over a distance exceeding 8 miles.

E.—Vehicles plying on routes lying partly inside and partly outside the State of Madras and extending outside the State over a distance exceeding 8 miles and inside the State over a distance of 8 miles or less.

(*a*) Tax on taxicabs is Rs. 162/8/-.

(*b*) For vehicles plying entirely within municipal limits the tax is two-thirds of the rates mentioned—Max. tax is Rs. 333/6/-

(*c*) In addition to the taxes given here, buses have to pay an additional milage cess at the rates given below. (Buses operating within certain municipalities are, however, exempted from payment of this cess.)

(*i*) When plying on ordinary permits as part of a regular service. . . . 6 pies per mile.

(*ii*) When plying on special permits in other cases. . . . . 9 pies per mile.

(*d*) For vehicles plying within two contiguous municipalities the tax is Rs. 260/-.

(i) SEATING CAPACITY—*contd.* (Annual Tax in Rupees)

Seating Capacity	Travancore-Cochin	Coorg	Orissa	U. P. & Rampur			Punjab, Delhi, Himachal Pradesh and Bilaspur.	
				Class A(*e*) Route	Class B Route	Class C Route	Within a Municipality	Others
Up to 3	Same as Madras 'C'	180	320	45(*f*)	45(*f*)	45(*f*)	50	30
4		180	320	75(*f*)	75(*f*)	75(*f*)	50	30
5		180	320	115	115	115	75	40
6		Rs. 52 per additional seat above 5.	Rs. 80 per additional seat above 5.	115	115	115	75	40
7				Rs. 9 per additional seat above 6.	Rs. 6/8/- per additional seat above 6.	Rs. 4 per additional seat above 6.	Rs. 6 per additional seat above 6.	50
8								50
9 or 10								50
11 to 15								50
16 to 17								50
18 to 20								50
21 to 24				Rs. 255 plus Rs. 10/8/- per additional seat above 20.	Rs. 210 plus Rs. 9 per additional seat above 20.	Rs. 180 plus Rs. 6/8/- per additional seat above 20.		Rs. 6/- per additional seat above 20.
25								
26 to 30								
31 or 32								
33 and above				Rs. 21 per additional seat above 32.	Rs. 16 per additional seat above 32.	Rs. 10/- per additional seat above 32.	700	700

(*e*) For vehicles operating on a special route—upto 50% extra tax over the rates given for Class A routes.

[illegible] and Rs. 45 for cabs.

(i) SEATING CAPACITY

(Annual Tax in Rupees)

Seating Capacity	PEPSU		Hyderabad*	W. Bengal	Assam
	Within a Municipality	Others			
Upto 3	Same as corresponding rates in Punjab.	50	43	75	40
4		50	43	75	40
5		75	43	75	40
6		75	43	75	40
7		160	Rs. 8/8/- per additional seat above 6.	75	50
8		160		75	50
9 or 10		160		Rs. 3 per additional seat above 8. Rs. 2 per additional seat above 30.	50
11 to 15		160			60
16 or 17		160			75
18 to 20		160			75
21 to 24		Rs. 6/- per additional seat above 20.			150
25					150 Rs. 25 per additional seat above 25.
26 to 30					
31 or 32					
33 and above		700			

*Converted from O. S. Rupees.

ii ROAD MILAGE

(Annual Tax in Rupees)

1. *Madhya Bharat.*
   Light Vehicles . . Rs. 10 per mile of permitted Route.
   Heavy Vehicles . . Rs. 12 per mile of permitted route.
   (There is also an initial customs duty at anna 1 per rupee *ad valorem.*)
2. *Bhopal* Rs. 20 per mile of permitted route.
   (Minimum tax Rs. 600 per year.)

Goods Vehicles—(contd.)

(ii) UNLADEN WEIGHT

(Annual Tax in Rupees)

Unladen Weight	Bihar	Mysore*	W. Bengal	Punjab, Delhi, PEPSU, Bilaspur, Himachal Pradesh(a)
Not Exceeding 12 cwt.	125	180	50	25
Exceeding 12 cwt. but not exceeding 15 cwt.	156/4	180	100	37/8 †
„ 15 „ „ „ 20 „	156/4	300	100	37/8†
„ 20 „ „ „ 25 „	312/8	300	125	75
„ 25 „ „ „ 30 „	312/8	420	125	75
„ 30 „ „ „ 35 „	312/8	540	125	75
„ 35 „ „ „ 40 „	312/8	675	125	75
„ 40 „ „ „ 50 „	375	675	150	200
„ 50 „ „ „ 60 „	375	900	150	200
„ 60 „ „ „ 70 „	500	900	200	300
„ 70 „ „ „ 80 „	500	1050	200	300
„ 80 „ „ „ 100 „	625	1050	300	400
„ 100 „ „ „ 120 „	812/8	1500	400	400 †
Exceeding 120 cwt.	312/8 per additional ton or part of a ton.	1500	400	400

*The tax on Private Goods Vehicles is 2/3rds of the rates given here.
† Rs. 40/- in PEPSU.
(a) For electrically propelled goods vehicles, not exceeding 25 cwt. in weight unladen, the tax is Rs. 35/-.

RATES OF MOTOR VEHICLE TAXES IN STATES

Goods Vehicles

(i) LADEN WEIGHT

(Annual Tax in Rupees.)

Laden Weight	Madras* & Travancore-Cochin.†	Coorg	Orissa	Hyderabad‡	Bombay	Madhya Pradesh	Vindhya Pradesh
Not exceeding 20 cwt. . . .	268	160	200	43	150	156/4	125
Exceeding 20 cwt. but not exceeding 30 cwt. . . .	532	300	400	64/8	150	156/4	125
Exceeding 30 cwt. but not exceeding 35 cwt. . . .	640	360	480	86	240	156/4	125
Exceeding 35 cwt. but not exceeding 40 cwt. . . .	640	360	480	86	240	187/8	150
Exceeding 40 cwt. but not exceeding 45 cwt. . . .	640	360	480	86	240	300	240
Exceeding 45 cwt. but not exceeding 60 cwt. . . .	800	460	600	107/8	240	300	240
Exceeding 60 cwt. but not exceeding 80 cwt. . . .	960	540	720	128/8	360	450	360
Exceeding 80 cwt. but not exceeding 85 cwt. . . .	960	540	720	128/8	360	500	400
Exceeding 85 cwt. but not exceeding 90 cwt. . . .	1172	660	880	171/8	360	500	400
Exceeding 90 cwt. but not exceeding 110 cwt. . .	1172	660	880	171/8	480	550(*a*)	440(*a*)
Exceeding 110 cwt. but not exceeding 120 cwt. . .	1440	820	1080	214	480	650	520
Exceeding 120 cwt. but not exceeding 130 cwt. . .	1440	820	1080	214	520	650(*b*)	520(*b*)
Exceeding 130 cwt. but not exceeding 150 cwt. . .	1440	820	1080	214	520	750	600
Exceeding 150 cwt. but not exceeding 180 cwt. . .	1708	980	1280	257	520	750	600
Exceeding 180 cwt.	1868	1060	1400	343	520	750	600

(*a*) Laden weight not exceeding 12,290 lbs. (109 cwt. 82 lbs.)
(*b*) Laden weight not exceeding 14,500 lbs. (129 cwt. 52 lbs.)
* In Madras the tax on Goods Vehicles maintained by Local Bodies is 3/4ths of the rates given here.
† The tax on motor cycle trucks not exceeding 650 lbs. laden is Rs. 132/-.
‡ Converted from O. S. Rupees.

GOODS VEHICLES—(contd.)

(iii) AUTHORISED LOAD

(Annual Tax in Rupees)

	A Class Route	B Class Route	C Class Route
1. *U. P. & Rampur*			
First 15 cwt. of authorised load	160	144	129
For every additional cwt. of authorised load	5/8/-	4	3
2. *Assam.*			
First 20 cwt. of authorised load	80(*a*)	..	..
For every additional 10 cwt. or part	25	..	..
3. *Kutch.*			
Load Capacity :			
Not exceeding 1½ tons	60	..	..
Exceeding 1½ tons but not exceeding 2½ tons	100	..	..
Exceeding 2½ tons but not exceeding 3 tons	120	..	..

(*a*) The rates are Rs. 100 and Rs. 30 respectively, in the case of Private Goods Vehicles.

(iv) OTHER BASES

Madhya Bharat.

Fixed route goods vehicles :—

Rs. 10/- and Rs. 12/- per mile of route for light and heavy vehicles respectively.

For "go as you like" general permits, Rs. 1,600/- and Rs. 2,400/- for regional and all Union permits respectively.

TRAILERS

A. *Trailers used with Goods Vehicles :*

(Annual Tax in Rupees)

Laden Weight.	Madras & Travancore-Cochin.	Coorg	Orissa	Bombay	Hyderabad*
Not exceeding 20 cwt.	108	60	80	150	68/8
Exceeding 20 cwt. but not exceeding 40 cwt.	400	220	300	150	171/8
Exceeding 40 cwt. but not exceeding 60 cwt.	400	220	300	240	171/8
Exceeding 60 cwt.	800	460	600	240	257
B. *Trailers used with other Vehicles :*					
Unladen Weight.					
Not exceeding 1 Ton.	48	28	40	25	10
Exceeding 1 Ton.	96	60	80	50	

* Converted from O. S. Rupees.

Assam

	Light Trailers.	*Heavy Trailers.*
1. Used with Private Passenger Vehicles.	10	20
2. Used with Private Goods Vehicles.	25	50
3. Used with Vehicles plying for hire.	50	100

Madhya Pradesh, West Bengal, Punjab, Delhi, PEPSU, Himachal Pradesh and Bilaspur,

Rs. 50/- for each trailer.

TRICYCLES AND INVALID CARRIAGES

(Annual Tax in Rupees)

State	*Tricycles*	*Invalid Carriages*
Madras & Travancore-Cochin	48	30
Coorg	30	22
Mysore	28/8	22/8
Bombay	24	5
Orissa	40	30
Bihar	27/8	6/4
Punjab, Delhi, PEPSU, Bilaspur and Himachal Pradesh	40	5
U. P. & Rampur	21	
West Bengal	30	
Assam	15	
Hyderabad*	6	

* Converted from O. S. Rupees.

OTHER VEHICLES

State	*Type of Vehicle*	*Basis of Taxation*	*Remarks*
Madras and Travancore-Cochin.	1. Vehicles not themselves constructed to carry any load, used solely for haulage.	Laden weight (of vehicle together with the largest number of trailers.)	
	2. Fire engines, fire tenders, and road water sprinklers, & trailers.	Laden weight.	
Bihar.	No extra is charged for trailers attached to motor vehicles with pneumatic tyres.		
Orissa.	1. Same as item 1 of Madras.	Laden weight.	Rates same as in Madras.
Mysore.	1. Goods vehicles used for Agriculture.	Rs. 90/-	
	2. Stage carriages used for limited purposes.	Rs. 100/-	
	3. Vehicles carrying both passengers and goods.	Formula based on floor area, unladen weight, and No. of seats.	
Madhya Pradesh.	1. Transport vehicles other than public service vehicles and goods vehicles.	Unladen weight.	
U. P.	1. Vehicles carrying both passengers and goods.	No. of seats and authorised load.	
	2. Private Goods Vehicles.	Unladen weight.	
Rampur.	1. Private Goods Vehicles.	Unladen weight.	Rates same as in U. P.
Assam.	1. Tractors.	Weight.	
	2. Vehicles carrying both passengers and goods.		
	(a) Private.	Unladen weight, No. of seats and authorised load.	
	(b) Plying for hire.	No. of seats and authorised load.	

APPENDIX VII

TAXES AND FEES LEVIED BY STATES

C. Motor Vehicle Fees in Different States

State	Registration Fee.		Issue of Permit	Renewal of Permit	Inspection	
					Fee.	*Frequency*
MADRAS	M. Cy. below 3½ H.P.	4/-				
	Any other M. Cy. or M. Cy. with side car.	8/-				
	M.V. whose Regd. laden weight does not exceed 14,500 lbs.	16-/	Rs. 16/-	Rs. 8/-	Rs. 25/-	Half yearly.
	Other M. V.	32-/				
	Trailer	5-/				
	Temp. Regn.	2-/				
BOMBAY	New M. V., M. Cy., & Inv. Car.	5/-	10/-for 'A' part	5/- for 'A' part		
	Trailers.	5/-	5/- for each	5/- for each	Rs. 2/-	
	H. T. V.	32/-	'B' Part.	'B'	Rs. 8/- for Certificate of fitness.	Half yearly.
	Others	16/-				
WEST BENGAL	M. Cy. and Inv. Car.	5/-	Issue or Renewal.			
	H. T. V.	32/-		Calcutta	Other Areas	
	Other vehicles.	16/-	Stage Carriage.	20/-	10/-	Certificate of fitness fees. Rs. 10/-	6 months. (Renewal Rs. 5/-).
	Temp. Regn.	2/-	Contract Carriage.	10/-	5/-	
	Duplicate certificate of Regn.	2/-	Private Carrier.	5/-	5/-	
			Public Carrier.	15/-	15/-	
U. P.	M. Cy. & Inv. Car.	5/-				
	H. T. V.	32/-	Rs. 10/-	Rs. 5/-	Rs. 2/- for issue. Re. 1/- for renewal	
	Any other.	16/-				
	Temp. Regn.	2/-				

(1)	(2)	(3)	(4)	(5)	(6)
PUNJAB	M. Cy., Inv. Car & Trailer 1 ton unladen. 5/- H. T. V. 32/- Others. 16/-	H. T. V. 45/- L. T. V. 30/-	36/- 24/-	Nil.	Half yearly, 1947 and later models. In plains 9 months.
BIHAR	M. Cy. & Inv. Car 5/- H. T. V. 32/- Trailer. 2/- Any other Vehicles. 16/- Temp. Regn. 2/-	Private Carriers. 25/- Public Carriers 50/- Taxi 25/- Bus. 50/-	25/- 50/- 25/- 50/-	M. Cabs. 7/8/- Others 15/-/-	
MADHYA PRADESH	M. Cy. & Inv. Car. 7/8/- H. T. V. 48/- Any other Vehicle. 24/- Temp. Regn. 4/-	Rs. 20/-	Rs. 10/-	Rs. 20/- (Renewal Rs. 10/-)	6 months.
ASSAM	M. Cy. & Inv. Car. 5/- H. T. V. 32/- Any other Vehicle. 16/- Trailer. 8/- Temp. Regn. 2/-	Rs. 60/- for Private Carriers. For others the rate depends on the route.	Same as for first issue.	Public. H. T. V. 20/- Others. 6/- Private. H. T. V. 10/- M. Cy. or Inv. Car. 3/- Others. 5/-	Twice a year
ORISSA	M. Cy. or Inv. Car. 4/- H. T. V. 25/- Any other vehicle 10/- Temp. Regn. 5/- Duplicate certificate of registration. 5/-	Rs. 20/- for Stage Carriage and Public Carriers. Rs. 15/- for any other permit. Tem. permit valid for one region only;	Rs. 15/- Rs. 8/-	Rs. 25/-	

(1)	(2)	(3)	(4)	(5)	(6)
		Rs. 4/- for first two days Rs. 2/- for every 7 days thereafter. More than one region Rs. 8/- per first 7 days and Rs. 4/- per every 7 days thereafter.			
DELHI	Light M. V. 16/- Heavy. M. V. 32/-	Light Rs. 30/- Heavy Rs. 45/-	Rs. 24/- Rs. 36/-		
AJMER	M. Cycle. 5/- Cars, L. T. V. etc. 16/- H. T. V. 32/-	H. T. V. Rs. 30/- L. T. V. Rs. 20/-	Rs. 24/- Rs. 16/-	Rs. 5/-	Half yearly.
COORG	M. Cy. Rs. 5/- & Rs. 7/- according to H. P. H. T. V. 32/- Others. 16/-	Rs. 32/- in the first instance (16 per first year Rs. 8/. for subsequent years).	Rs. 8/-	Rs. 20,- for H.T.V. Rs. 10/- for Taxi Cabs.	Half yearly.
BILASPUR		*Same as Punjab*			
ANDAMANS	Rs. 5,.	Rs. 10/-	Rs. 5/-	Rs. 10/-	3 Years.
HIMACHAL PRADESH	Light trucks. 16/- Heavy trucks. 32/- Motor cycles. 10/- Private Cars. 16/-	H. T. V. Rs. 45/- L. T. V. Rs. 30/-	Rs. 36/- Rs. 24/-	..	6 months.

(1)	(2)	(3)	(4)	(5)	(6)
KUTCH	M. Cycle. 20/- Car. 40/- Bus. 60/- Lorry 2 Tons. 100/- Lorry 3 Tons. 120/-	Public Carriers 400/- Private Carrier 200/- Taxis. 120/-			
MANIPUR	Motor Cycles. 5/- Trailer. 8/- Car, Lorry. 16/- Heavy vehicle. 32/-	Rs. 30/-	Rs. 30/-	Rs. 10/- for L.T.V. Rs. 20/- for H.T.V.	
TRIPURA	Heavy vehicle. 32/- Light vehicle. 16/-				
VINDHYA PRADESH	M. Cy. & Inv. Car. 5/- H. T. V. 32/- L. T. V. 16/- Temp. Regn. 2/-	first year of validity Rs. 10/-	Renewal for subsequent years and part thereof Rs. 5/-	Rs. 10/- Rs. 5/- Renewal.	
MADHYA BHARAT	L. T. V. 16/- H. T. V. 32/- Temp. Regn. 2/-	Rs. 10/-	Rs. 5/-	Rs. 10/- for fitness certificate. Rs. 5/- for renewal	
TRAVANCORE-COCHIN	——*Same as Madras*——			Rs. 10/-	Half yearly.
MYSORE.	M. Cy. below 3½ H. P. 4/- Any other M. Cy. or M. Cy. with side car. 8/- M. V. whose regd. unladen wt. does not exceed 2tons 16/- Other M. V. 32/- Trailer. 5/-	No Fees.	No Fees. For a duplicate permit Rs. 2/-	Rs. 5/- For a duplicate certificate of fitness Rs. 2/-	

(1)	(2)		(3)	(4)	(5)	(6)
SAURASHTRA	M. Cycles.	5/-				
	Car.	16/-				
	H. T. V.	32/-	Rs. 15/-	Rs. 10/-	Rs. 2/-	6 months.
RAJASTHAN	*Private Vehicles.*					
	Light.	10/10/-				
	Heavy	34/-				
				Light Heavy	..	..
	P. S. V. & Business.		Rs. 1/1/- per trip.	Private 2/2 5/5		
	Light.	34/-				
	Heavy	68/-		P. S. V. 10/10 17/-		
HYDERABAD	M. Cy. below 3½ H. P.	4/-	Rs. 10/-	Rs. 5/-	Rs. 10/-	
	M. Cy. with side car.	7/-			(Renewal Rs. 5/-).	
	Motor vehicle below					
	R. L. W. 14,500 lbs.	16/-				
	,, Over 14,500 lbs.	32/-				
	Trailer.	5/-				
	Temp. Regn.	2/-				
JAMMU & KASHMIR	H. T. V.	32/-	H. T. V. Rs. 45/-	Rs. 36/-	..	..
	L. T. V.	16/-	L. T. V. Rs. 30/-	,, 24/-		
	Duplicate.	3/-				

APPENDIX VIII

A NOTE ON RECIPROCITY—PRIVATE CARS

While a private car taxed in a Part A State is generally exempted from further taxation during the then current quarter of the year when it enters another Part A State, such reciprocal arrangements do not apply to cars entering the majority of Part B States, nor in many cases to cars registered in such Part B States which enter a Part A State.

Madras State for example does not levy a tax on a car brought into that State from the areas formerly constituting British India. Exemption is also granted to vehicles from Mysore, Travancore-Cochin and Bastar States, but vehicles registered in other States when they enter Madras have to purchase a licence from an officer-in-charge of a Police Station or outpost who exercises the powers of a licencing officer. A Licence is issued either for a week or for a month, and costs as under :

Class of Vehicles :—	Tax for vehicles fitted with pneumatic tyres.	
	For a period not exceeding seven days.	For a period exceeding seven days, but not exceeding thirty days.
Motor cars weighing not more than 15 cwts unladen.	Rs. 3/-	Rs. 10/-
Motor cars weighing more than 15 cwts. but not more than 45 cwts. unladen. .	Rs. 5/-	Rs. 15/-
Motor cars weighing more than 45 cwts. unladen. .	Rs. 7/-	Rs. 21/-

Mysore State does not tax private cars which have been taxed in Madras but in respect of cars entering the State from other parts of India, weekly and monthly taxes are levied at the following rates :—

	Not exceeding 7 days	Exceeding 7 days but not exceeding 30 days.
Cars up to 7 seats weighing not more than 15 cwts. unladen.	3—0—0	8—12—0
—do—more than 15 cwts. unladen.	4—4—0	12—8—0
Cars adapted to carry eight persons or more.	10—0—0	30—0—0

APPENDIX IX

TYPICAL EXAMPLES OF OCTROIS AND OTHER TAXES ON MOTOR VEHICLES BY LOCAL BODIES

State	Municipality	Description and rates of octrois and terminal tolls
Madras:		[All municipalities in Madras are authorised to charge Bus Stand fees at rates varying between 3 to 8 annas per bus or lorry.]
	Madras Corporation	Stand fees :— Taxis– Rs 3 per mensem. Bus or lorry– Rs. 2 per mensem or annas 2 per day per vehicle.
	Anakapalle	Stand fee for bus or taxi or lorry– 4 annas per day. Tax on trucks bringing goods for sale– Rs. 2/– per day.
	Virudhunagar	Stand fee for bus –/4/–per day ,, Lorry –/6/–per day
Bombay:	Dharwar	Wheel tax : Rs. 6 to 30 per year, for private transport vehicles. Rs. 10 to 40 for vehicles used for hire. Toll tax : Empty –/2/– per day Loaded –/4/– ,, ,,
	Belgaum	Wheel tax : Lorry Rs. 45 per year Bus Rs. 35 ,, ,, Octroi : Rs. 2–1–4 % on motor vehicles Rs. 3–2–0 % on petrol.
	Sholapur	Wheel tax : Rs. 128 to 240 per year on private transport vehicles. Rs. 144 to 240 on vehicles used for hire. Octroi :—— *same as for Belgaum* ——
	Bombay	Wheel tax : Rs. 45 to 85 per quarter.
	Bhiwandi	Wheel tax : Rs. 24 to 150 per year.
	Broach	Wheel tax : Rs. 18 to 240 per year.

Appendix IX

Uttar Pradesh:

Allahabad	Octroi : 6 pies per rupee on tyres and accessories.
Rampur	Toll : Rs. 2 per bus Re. 1 per lorry.
Banaras	Bus stand fee : Rs. 3 per month for lorries and buses. Rs. 2 ,, for cars.
Moradabad	Terminal toll : Rs. 2 per md. on accessories, tyres, etc, Truck tax at Rs. 5/- per day.

Punjab	Karnal.	Octroi : Motor parts -/4/- per md. Tyres 1/8/- ,, ,, Petrol -/2/- ,, ,,
	Hissar & Ambala	Octroi: Motor vehicles Rs. 20/- Accessories & parts 2/8/- per md. Petrol -/2/- ,, ,,
	Fazilka	Octroi : Motor vehicles Rs. 30/- Parts & tyres 3/12/- per md. Petrol -/2/- ,, Stand fee: Buses -/8/- to -/12/- per trip. Lorry -/6/- per trip.
	Jullundur	Octroi: Motor vehicles Rs.5/- Parts .. 1/12/- per md. Petrol .. -/2/- ,, ,,
	Shahabad (Karnal)	Octroi: Motor Vehicles Rs. 20/- Parts, tyres & petrol -/1/- per md. Wheel tax -/-/6 per rupee. Surcharge: 12½%
	Ludhiana	Octroi: Motor vehicles -/3/- per md. Rubber parts 1/8/- ,, ,, Other parts 1/-/- ,, ,,
	Abohar	Octroi: Motor vehicles parts & tyres : 1/-/- per md. Old tyres -/8/- ,, ,, Petrol -/2/- ,, ,, Stand fee -/6/- to -/9/- per trip.
	Amritsar	Octroi: Motor vehicles and parts 1/-/- per md. Petrol : -/1/- per md.
	Rohtak	Octroi: Motor vehicles Rs. 50/- Parts 1/4/- per md. Petrol -/2/- ,, ,,

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Madhya Pradesh:

Amraoti	Terminal Tolls: Parts, accessories and tyres -/3/- per md. Petrol .. -/2/- ,, ,, Proposal to impose toll of Rs. 1/. per motor vehicle.
Bhandara.	Octroi: Motor vehicle & parts 3/2/- % *ad valorem.* Petrol -/-/6 p.g. Wheel tax: Rs 4/- per year. Coss on goods & passengers: -/3/- per vehicle.

Appendix IX

	Nagpur	Terminal tolls: Motor vehicle -/4/- per md. Parts & accessories -/2/- per md. Tyres & tubes 2/-/- ,, ,,
	Khamgaon) Durg)	Octroi: Motor vehicles and parts 3/2/- % *ad. val.* Petrol -/1/6 p.g.
Orissa:	There are no octrois or tolls in the State except at Sambalpur. Sambalpur.	Octroi: Motor vehicle and parts 2/5/6 % *ad. val.* Tyres .. 1/9/- ,, ,,
Delhi:	Delhi.	Terminal tolls: cars (2 seater) 15/- ,, (4 seater) 33/12/- Chassis & lorries without body 25/- ,, with body 30/- Motor cycle .. 5/- ,, ,, with side car 6/- Parts .. .. 1/- per md. Old parts & tyres -/5/- per md. Surcharge: 16⅔ % on above rates.
Ajmer:	Ajmer	Octroi: Motor vehicle, parts & accessories 3/2/- % *ad. val.* Wheel tax: Car Rs. 40/- per annum. Lorry Rs. 80/- ,, ,, Tolls: Lorries 1/8/- per trip Cars -/12/- ,, ,, Buses 1/-/- ,, ,,
Madhya-bharat:	Shivpuri	Stand fee : -/8/- per day 10/-/- per mensem.
		Terminal Toll : -/-/6 per passenger per bus.
	Dewas.	Octroi : Motor vehicles & parts 3/2/- % *ad. val.* Petrol -/1/- p. g.
		Town entry fee -/4/- per entry.
	Guna.	Cess at -/-/6 per passenger.
PEPSU:	Patiala & Phagwara	Octroi : Lorry Rs. 50/- Car Rs. 40/- Motor cycle Rs. 15/-
		*Octroi : accessories & parts & tyres Rs. 3/- per md. Petrol -/1/6 p. g.
		*Stand fee -/4/- per lorry per day.
	*In Phagwara only	
Mysore:	Bangalore	Tolls : Lorries 1/8/- Buses 1/-/- Cars -/12/- Motor cycles -/4/-
	Tumkur	Octroi : 1/9/- % *ad. al.* on tyres, tubes & parts.

	Kolar	Octroi : –/–/3 per md. on iron articles. Stand fee : –/2/– proposed.
Rajasthan:	Fatehpur (Sikar)	Octroi : –/–/3 per rupee on motor vehicles, parts and accessories. Petrol –/2/– p. g.
	Udaipur	Wheel tax : Lorry 50/– p. a. Car 40/– p. a. Octroi: –/–/3 per rupee
	Jaipur	Wheel tax : Private vehicles – Rs. 5/– per wheel per annum. Stand fee : 18/– per vehicle per annum.
	Alwar	Proposal for octroi at –/–/6 per rupee on vehicles, parts, accessories, etc. –/1/– p. g. on petrol.
Hyderabad:	Hyderabad	Wheel tax : Private cars 36/– annually. Taxi cars 48/– Lorries, trucks, buses 48/– Motor cycles 16/– Auto rickshaws (private) 22/– ,, (taxi) .. 35/– Toll tax : *All vehicles entering* city limits at -/8/– per vehicle.
Travancore-Cochin	Trichur	Stand fee for bus -/8/– ,, ,, car -/6/–

Note : (1) There is no octroi, terminal tax, terminal toll, town duties or wheel tax on motor vehicles in West Bengal, Bihar, Assam, Manipur and Travancore-Cochin.

(2) Information in respect of Coorg, Bilaspur, Bhopal, Himachal Pradesh, Kutch, Tripura, Vindhya Pradesh and Kashmir is not available.

APPENDIX X

AVERAGE TAX PAID BY A LORRY WEIGHING 14,500 LBS. LADEN ANNUAL MILAGE ASSUMED IS 20,000.

State	Total tax per lorry per year Rs.	No. of lorries 1948-49
Madras	6,077	7,635
Bombay	5,258	13,278
West Bengal	5,014	20,368
U.P.	4,744	5,131
Punjab	4,595	2,826
Bihar	4,868	3,713
Madhya Pradesh	5,472	2,914
Assam	4,646	3,468
Orissa	5,816	1,062
Delhi	3,997	1,307
Hyderabad	4,629	2,651
Madhya Bharat	5,910	1,195
		65,548

Weighted average of tax for all the 12 States . . . . Rs. 33,65,32,925 / 65,548

= 5134.145 per vehicle.

Assuming 75% load factor, and capacity of 70,000 ton-miles per year (*i.e.* 3½ tons load) rate per ton per mile—18.78 pies.

Assuming 75% load factor, and capacity of 60,000 ton-miles per year (*i.e.* 3 tons load) rate per ton-mile—21.91 pies.

Average rate charged for carrying goods by rail, per ton-mile :—

1946-47	6·87 pies
1947-48	7·74 ,,
1948-49	9·18

APPENDIX XI

REVENUE FROM MOTOR VEHICLES AND EXPENDITURE ON NATIONAL HIGHWAYS AND OTHER ROADS IN PART A STATES IN 1948-49.

A. REVENUE FROM TAXES IN 1948-49

(in lakhs of Rupees)

Name of State	Import duty on motor vehicles & accessories including tyres & tubes	Customs & excise revenue from motor spirit	State motor vehicle taxes	Sales tax on motor spirit	Total
Madras	126·20	138·40	183·43	60·27	505·30
Bombay	187·47	204·83	104·37	53·13	549·80
West Bengal	218·81	241·15	33·55	81·16	574·67
Uttar Pradesh	81·34	89·65	35·49	26·31	232·79
Punjab	29·18	32·16	9·32	7·07	77·73
Bihar	51·85	57·14	22·01	12·12	143·12
Madhya Pradesh	35·69	39·30	25·84	12·48	113·31
Assam	36·13	39·81	9·11	10·53	95·58
Orissa	12·78	12·51	7·48	1·72	34·49
Grand Total	779·45	854·95	427·60	264·79	2326·79

NOTE :—In calculating the Central revenue shown in the above table, it has been assumed that it bears in each State the same proportion to the total revenue as the number of motor vehicles in the State bears to the total number of motor vehicles in India.

B. Expenditure On Road Maintenance And Repairs In 1948-49

(in lakhs of Rupees)

Name of State	Expenditure on maintenance of national highways	Expenditure on maintenance of other roads	Total
Madras	53·63	415·82	469·45
Bombay	33 21	70·65	103 86
W. Bengal	7·58	42·57	50·15
Uttar Pradesh	42·00	141·74	183·74
Punjab	23·01	45·82	68·83
Bihar	18·05	88·97*	107·02
Madhya Pradesh	12·62	53·11	65·73
Assam	30·26	46·21	76·47
Orissa	13 59	29·56†	43·15
TOTAL	233·95	934·45	1168·40

*Including the whole of expenditure on District Board roads.

†Excluding Local expenditure.

C. Expenditure On Road Construction And Development Original Works In 1948-49

(in lakhs of Rupees)

Name of state	Original works expenditure on National Highways	Original works ‡ expenditur on "Other Roads".	Total
Madras	12·83	100·84	113·67
Bombay	1 59	40·78	42·37
W. Bengal	10·31	19 80	30·11
Uttar Pradesh	17·22	9·19	26·41
Punjab	22·09	54·64	76·73
Bihar	39·51	65·89*†	105·40
Madhya Pradesh	1 02	30 13 †	31·15
Assam	7·23	138·67	145·90
Orissa	22·64§	5·90§§	28·54
TOTAL	134·44	465·84	600·28

*Excluding Original Works on Dist. Board Roads which presumably are included in maintenance.

†It is not certain that this excludes capital expenditure outside the revenue account.

‡Excluding expenditure met from the Central Road Fund (ordinary and reserve) and capital expenditure outside the revenue account.

§Plus 11·67 by CAVINC on Hirakud Road Rail Bridge.

§§Excluding local expenditure.

APPENDIX XII.

THE LEGITIMATE SHARE OF MOTOR TRANSPORT TOWARDS ROAD COSTS

A.—EXTRACTS FROM THE SALTER COMMITTEE'S REPORT, 1932

"35. The railway representatives ask no more than that this transport should pay its fair share of the cost of the roads they use as their permanent way. They do not ask that, either by taxation beyond this point or by restrictive regulation not required in the public interest, traffic should be forced back to the railways which they are not able to carry so conveniently or on so low a basis of real cost....."

"36. The road representatives on the other hand do not ask that commercial road transport should pay less than its fair share of the cost of the roads, or should by so doing attain any other development that that which is economic and in the public interest..... ....."

"39. The roads.....are used by pedestrians as in the pre-motor era .....other users of the highway frequently obtain a better paved and wider road than in the past....."

"40. The State uses the road for the movement of troops. Many public and semi-public services make use of roads.....Telegraph and telephone poles run by the side, water-pipes.....tramways....."

"42. These "community uses" as a whole require a substantial allowance. It is clear that if motor traffic had a monopoly of its permanent way as the railways have, it could go faster without danger, and it would be relieved of part of its insurance charges. On the other hand, if there were no motor traffic, the community would need roads and would incur a substantial expense in maintaining them as is shown by a consideration of the expenditure before the motor era and by the general increase of prices and costs since then."

"44. The only fair principle, in our view, is to consider the total annual cost of the roads and then to distribute it according to a just estimate of the use enjoyed, and wear and tear caused, by different categories of users."

"48. Present road users enjoy a very substantial "legacy from the past" in respect both of the road system existing before the motor era and of the heavy capital expenditure on the work of transformation during this era. We have already pointed out that, with few exceptions, the roads now used by motors are the roads originally made for other traffic, improved and adapted, but not constructed on newly acquired land. With the exception of the new arterial roads and bypasses, there is nothing in modern road history comparable to the acquisition of land, and construction of tracks, in the period of railway development which still accounts for the greater proportion of the railways' indebtedness and share-capital."

"49. ..... The Railway representatives would have preferred to arrive at it by deducting from the total road expenditure of the last 13 years the estimated cost of maintenance, and then taking 5 per cent. on the sum remaining as the amount to be added to the road bill in order to represent the annual value of the capital expended in transforming the roads to meet the needs of motor transport....."

"50. ..... We consider that the total contribution payable by all classes of mechanically propelled vehicles, whether in the form of licence duty or petrol duty, should be equal to the current expenditure on the roads....."

* * * * * * * *

Appendix XII

B.—Extracts From The Report Of The Technical Sub-Committee To The Subject Committee On Transport On The Future Of Road Transport And Road Rail Relations 1943.

18. (1) We now come to the question whether motor transport is paying adequately for the use of the roads, in addition to a reasonable contribution to public revenues..... We are, however, confronted with the difficulty that India has never faced and answered the question of what part of the total taxes derived in various ways from motor vehicles is supposed to represent a reasonable contribution to public revenues, and what part can be recognised as a toll for the use and improvements of the road..... The facts lend some support to the view that, albeit adventitiously, the total taxation is discriminatory against motor transport, and contrary to the principle that "the function of the State is not to favour one means of transport at the expense of another....."

(3) With mixed traffic of so many sorts on the road, it is difficult to assess the proper commercial toll for any particular class. Indeed the Salter Committee in the United Kingdom were unable to assess upon motor transport any proportion of the probable capital cost of the road and set that off against "community use", proposing on the other hand that motor transport, as a whole, including private cars, should carry the whole cost of future expenditure on construction, improvement, extension, maintenance and policing of the roads. This simple solution cannot apply in India where the current expenditure is so largely due to bullock cart traffic. But, we think that a rough indication can be obtained as follows: The present book value of a road carrying 1,000 tons of mixed traffic per 24 hours of which 500 tons is in motor transport vehicles (buses and lorries) may be put at about Rs. 30,000 per mile, the interest on which at 4 per cent. is Rs. 1,200 per year; and the annual maintenance cost we put at Rs. 1,000 per mile. Cost of policing cannot readily be estimated or related to road milage but is supposed to be covered by fees and not by taxes, and, in any case is, we think, relatively small. Assuming that motor transport, being half the total tonnage, has to carry half the total annual cost of Rs. 2,200 per mile, then over that mile 500 tons gross daily, or say 2/3rd of that or 350 tons daily of pay load, has to provide Rs. 1,100 per year. This amounts to $\frac{1,100 \times 16 \times 12}{350 \times 365} = 1{\cdot}65$ pies per net ton mile. The present cost of operating a four ton truck amounts, as we have said, to 24 pies per net ton mile; of that 1·65 pies or 6·9 per cent. is a rough measure of the appropriate road toll for the use of the road as it exists with no margin for improvement. Of the minimum of 25 per cent. on turnover which motor transport pays in all taxes, there thus remains a margin of 18 per cent. contributed to public revenues compared with the contribution by railways of 5·89 per cent. The foregoing does not purport to be more than a rough and ready answer to an obvious question..... In 1923, the duties on petrol were 4 annas a gallon, while the Central duties are at present 15 annas and the Provincial Sales Tax not less than an anna. Out of the 11 annas Central increment only 2½ annas is "put back into the business" through the Road Fund.

* * * * * * * *

(Note.—The Technical Sub-committee to the Subject Committee on Transport assumed for purposes of calculating the appropriate road toll for the use of the road, that motor transport was responsible for half the total tonnage on the roads and therefore, should carry half the total annual cost of road maintenance. Motor Transport has grown substantially since the Sub-Committee reported, while there has not been any great increase in bullock-cart traffic. Looking to the future, therefore, it would be a reasonably valid assumption for the next twenty or thirty years to assume that a debit of two-thirds instead of half the total cost of road maintenance should be passed on to motor transport.)

APPENDIX XIII

SUMMARY OF THE TRANSPORT POLICY RECOMMENDED TO THE LEAGUE OF NATIONS IN 1933 FOR ADOPTION BY ALL COUNTRIES

"1. Industry, trade, and the general user require cheap, efficient and rapid transportation, adapted as closely as possible to their specific needs.

2. The transformations that have taken place in the *de facto* monopoly of land transport, held until recent years by the railways, and the interdependence of the various means of communications call for a comprehensive policy in each country.

3. The principal aims of such a policy should be to co-ordinate all the means of transport in such a way as to secure for each of them traffic for which it is best suited, and to avoid overlapping, the financial consequences of which the community would ultimately have to bear.

4. Public action becomes necessary in so far as the efficiency of the various means of transport is compromised by competition among themselves, particularly road and rail competition.

5. The function of the State is not to maintain the *status quo* or to favour one means of transport at the expense of another, but to create the requisite conditions for securing the maximum efficiency of all means of transport and to further their evolution in the interest of the general welfare of the community and of technical progress.

6. These aims can only be attained by a series of measures, the nature and scope of which will be influenced by the conditions existing in each country."

APPENDIX XIV

EXTRACTS FROM THE JUDGMENTS, DATED 11th MAY, 1950 OF THE HIGH COURT OF JUDICATURE AT ALLAHABAD ON CERTAIN CASES RELATING TO ROAD TRANSPORT.

"The main argument advanced by counsel on behalf of the applicants may be classified under the following heads:

(1) That the applicants are bus owners who run bus services and carry passengers for hire and they have an absolute right to carry passengers for hire on the highway along the routes selected by them".....

* * * * *

(3) That the Regional Transport Authorities, in complete disregard of the provisions of the Motor Vehicles Act, have been refusing to issue permanent permits (permanent permit meaning a permit for not less than three years and not more than five years) and have in some cases been granting temporary permits, against the provisions of the Motor Vehicles Act, or have committed other irregularities and have not acted in accordance with the provisions of that Act. That this has been done to implement the policy of the State to run buses of their own on some of these routes."

(4) That a temporary permit issued by the Regional Transport Authorities should be deemed to be a permanent permit by reason of the provisions of section 58 of the Motor Vehicles Act."....

* * * * *

(7) That, in any case, the State cannot claim to have better rights than the bus owners themselves, and the provisions of the Motor Vehicles Act which discriminate between the State and private owners in respect of carrying on business of motor transport are void being contrary to the provisions of Article 14 of the Constitution."

* * * * *

"..... the U. P. Government had intended to form joint stock companies to run bus services, but this scheme not having materialized, the Government started running buses of their own, and when they were in a position to put sufficient number of buses on a particular route, the Regional Transport Officer gave notices to the bus owners that the "Roadways" would commence operation with effect from a certain date and the passenger buses belonging to the applicants would cease to operate on the said route with effect from that date. In these notices it was mentioned that under rule 69(c) of the U. P. Motor Vehicles Rules of 1940 the bus owners were not entitled to any notice, but the notice was given so that the period might be utilized to ask for an alternate route inside the region provided this happened to be the first displacement. The notice also gave the information that the owners of the passenger carriers had the option of getting their permits converted into permits for carriage of goods. Sometimes on the date mentioned it was not found possible for the State buses (which may conveniently be called hereafter the Roadways) to commence operation from the date mentioned in the notice and in such cases temporary permits were renewed and notices, similar to the notice mentioned above, were again issued informing the bus owners that they would not be allowed to ply their buses on the particular route mentioned by reason of the Roadways commencing operation on that route."

"Two cases, one of the Madras High Court and the other of the Calcutta High Court have been relied on. In the Madras case of Sri Ram Vilas Service Ltd. v. The Road Traffic Board, Madras (A.I.R. 1948 Madras, 400, at page 408), the learned Chief Justice expressed himself as follows:

"..... It was suggested that the 'particular temporary need' was the non-availability of the Government buses at the date when the appellant's three years permits expired on 1st May, 1947 and that need was met by granting a temporary permit for the appellant's buses to ply for hire during the period preceding the date when the Government hoped to obtain its vehicles and put them into use..... There was not a particular temporary need within the meaning of the Act which empowered the grant of temporary permits."

"Having expressed himself as above, the learned Chief Justice did not hold that the temporary permit should be deemed to be a regular permit for three years but directed the Road Traffic Board to consider the application in accordance with law and in conformity with his judgment.

"In the Calcutta case of United Motor Transport Co. Ltd. v. Sreelakshmi Motor Transport Co. Ltd. (I.L.R.1944 Calcutta, 631) Roxburgh J held that a temporary permit being invalid under section 53 of the Motor Vehicles Act it must be held to be a permit for three years. Reliance was placed on the language of the section 58(1) which is as follows:

"A permit other than a temporary permit issued under section 62 shall be effective without renewal for such period, not less than three years and not more than five years, as the Regional Transport Authority may in its discretion specify in the permit."

* * * * *

"I prefer to follow the decision of the Madras High Court in Sri Rama Vilas Service Ltd. *v.* The Road Traffic Board, Madras (A.I.R. 1948 Madras, 400), cited above, where a temporary permit was not deemed to be permanent permit and the application for a permanent permit was sent back for reconsideration on the ground that it had not been disposed of according to law."

* * * *

"From what I have said above it would be clear that the Regional Transport Authority has failed to realize that it is a quasi-judicial body and although all its members may be nominated by the Government, it is expected to entertain and dispose of applications for permits in accordance with the provisions of the Motor Vehicles. Instead of considering the applications for permits on the merits, it informed the bus owners in advance that it would not issue any but temporary permits and those permits also would be liable to cancellation whenever the State was in a position to place its own buses and act in accordance with the provisions of sections 47 and 48 of the Motor Vehicles Act. Under section 47(1) (a) the Regional Transport Authority has to take into consideration 'the interest of the public generally'. As the Regional Transport Authority is mainly concerned with the interest of the travelling public, it must mean primarily the interest of the travelling public. The Regional Transport Authority has also to consider what are the other existing arrangements for the transport of passengers and how those services will be affected, the condition of the road, the amount of traffic on it, the operation by the applicant of other transport services, whether it is an application for a fresh permit or a renewal of an old permit, whether the applicant has been given any unremunerative route, and the benefit conferred by such service on the locality in question and such other matters.

"The language of section 47 of the Motor Vehicles Act is mandatory and the Regional Transport Authority is bound to take into consideration the provisions of that section in deciding whether to grant or refuse a permit for a stage carriage. I may quote here a passage from the judgment of Cozens Hardy. M. R. in Re *v.* Metropolitan Police Commissioner (1911 2 K. B., 1131, at page 1138) which is as follows :

> "But then it has been said that the word used in the order is not 'shall' but 'may'. We have had our attention called, and not for the first time, to Julius *v.* Bishop of Oxford 5 App. Cas. 214 and it seems to me it is impossible to read this Act of Parliament, dealing with an existing well-known numerous class of traders in the city of London, and to say that this is not a case in which there is a duty imposed to grant the licence subject to the express conditions imposed by the Secretary of State in the mandate which has been conferred upon the Commissioner of Police."

"In the Motor Vehicles Act the word is not 'may' but 'shall' and therefore, there is greater reason to hold that a statutory duty has been imposed on the Regional Transport Authority to consider an application for the issue of a permit in accordance with the provisions of the Motor Vehicles Act and the Rules made thereunder."

* * * * *

"There can be no doubt that the Provincial and the Regional Transport Authorities have to determine the question whether a permit should or should not be issued in accordance with the provisions of the Motor Vehicles Act and the Rules made thereunder. Any reason, which is not a valid reason under the provisions of the Motor Vehicles Act, cannot be taken by them into consideration. What matters they must consider before issuing, or refusing to issue, a permit are set out in the Motor Vehicles Act and the Rules made thereunder, and it is not necessary for me to attempt to reproduce them here."

* * * * *

"The learned Advocate General has raised another objection that as there was a right of appeal under section 64 of the Motor Vehicles Act the applicants are not entitled to come to this Court under Article 226 of the Constitution. I do not consider that there is much force in this argument. Section 64(a) provides for appeals by any person aggrieved by the refusal of the Provincial or a Regional Transport Authority to grant a permit, or by any condition attached to a permit granted to him, and sub-section (c) provides for an appeal by any person aggrieved by "the refusal of renewal of a permit"..... ...."As I have already said, the Regional Transport Authority, or its Secretary, or the Regional Transport Officer, who seems to have been acting for the Authority, do not appear to have passed any order under the Motor Vehicles Act and, therefore, no question of an appeal under section 64 seems to arise."

"The applicants have asked for three main reliefs (a) for a writ of mandamus directing the opposite party to decide application of the petitioners in accordance with the provisions of the Motor Vehicles Act, (b) to withdraw certain notices given by the Regional Transport Officers either on the 1st of July, 1949, or on the 22nd of November, 1949, or on some other date; (the purport of these notices has been set out by me in an earlier part of this judgment) and (c) for an order directing the opposite party not to introduce Roadways buses for hire to carry passengers.

"As regards relief (b) I have already said that the Regional Transport Authorities are bound by the provisions of the Motor Vehicles Act and they must act in accordance with the provisions of that Act. Learned Advocate General has admitted that, though the adequacy of existing road passenger transport service may be a ground for consideration in granting or refusing a permit, the fact that the Government intends in future to put some buses on the road is a wholly inadequate ground and is not a matter which the Regional Transport Authorities can take into consideration."

* * * * *

"As regards the last prayer, relief (c) for an order directing the opposite parties not to introduce Roadways buses to carry passengers for hire, learned counsel for the applicants has strenuously urged that, unless that prayer is granted, any relief given to the applicants would prove illusory, as the Regional Transport Authorities are not likely to issue permits on a route where the Roadways buses are already plying in sufficient numbers."

* * * * *

"In support of the proposition that Legislative authority is needed before the State can run buses for hire Mr. Pathak has relied on the case of Blackpool Corporation *v.* Locker. L. R. 48 (1, K. B.) 349. The argument, in short, is that the citizen has a right to ask under what authority the State has acted and the State must then refer the citizen to the law. I do not think that that case can be interpreted to lay down this general proposition stated in such wide terms. There a person, who was the owner of a dwelling house, wanted to know under what authority he was asked to hand over the keys and the possession of the house to the Corporation. Dealing with the question that ignorance of the law is no excuse Scott Lord Justice said:

> "the very justification for that basic maxim is that the whole of our law, written or unwritten, is accessible to the public in the sense, of course, that, at any rate its legal advisers have access to it, at any moment, as of right."

"Discussing the matter further His Lordship quoted with approval the remarks of the Ministers' Powers Committee that—

> "In the absence of a common law or a statutory authority, 'A' cannot be deprived of his rights by an executive act of a Minister; and if the Minister claims to have made a regulation entitling him to interfere with 'A''s rights the court will interfere to stop the Minister unless he can show by what authority, statutory or otherwise, he has made the regulation in question."

* * * * *

"I want, however, to make it clear that nationalisation of any industry does not appear to me to be possible without legislation as nationalisation has in it two implications: (1) that the State will carry on the business and (2) that no one else will be allowed to carry it on. The second must be deemed to be an infringement on the rights of the citizen and, therefore, it must be by legislation and the legislation would probably have to be justified under the provisions of Article 19(6) of the Constitution."

* * * * *

"The other argument was that every citizen had a right to carry on any trade or business under Article 19(1)(g) and anything which interferes with that right must be held to be contrary to the Constitution and therefore bad. "Trade or business" has a well-defined meaning and is associated with some adventure which has the object of earning profit or gain. The Constitution does not give any list of such trades or businesses and no one can claim that he has an absolute right to carry on any trade or business that is now being carried on or that he may invent in future. The State must be deemed to have the right under Article 19(6) to regulate or prohibit such business in public interest. Cases of prohibition on the grounds of public morality, etc. are quite common."

* * * * *

"The power to consider the adequacy of existing road passenger transport services is a very reasonable power and I do not see how it can be said that section 47(1)(c) is bad. Clauses (d), (e) and (f) are clearly matters which must be considered by the Regional Transport Authority in issuing, or refusing to issue, a permit, and I cannot see how they can be said to be contrary to the provisions of Article 19 of the Constitution."

"As regards these cases the learned Advocate General has given an undertaking on behalf of the opposite-parties that the applications would be considered and disposed of in accordance with the provisions of the Motor Vehicles Act.....we have no doubt that the opposite parties will now act in accordance with the undertaking, both in the spirit as well as in the letter

and in case any application has been rejected in the meanwhile they would reconsider the same in accordance with the provisions of law."

* * * * *

"A consideration of the provisions of the Motor Vehicles Act makes it sufficiently clear, we think, that the Provincial and Regional Transport Authorities are intended to be independent *quasi* judicial bodies. This was the conclusion reached in the *Sri Rama Vilas Service* case (*supra*) with which we respectfully agree. But, in fact, the majority of the members of the Provincial Transport Authority as well as of the Regional Transport Authorities are government servants, and the others are nominated by the Government. The manner in which the Regional Transport Authorities have already acted in ordering the applicants to cease running their buses on certain routes on the ground that the Government Roadways service was about to operate thereon, and the manner in which the same Transport Authorities appear to have lent themselves to the implementation of the State Government's policy of "nationalisation" shows, we think, that these Authorities have acted as though they considered themselves to be no more and no less than Departments of Government. When the Motor Vehicles Act was passed it does not appear to have been within the contemplation of the framers of the Act that the Government would enter the passenger transport business. At that time, therefore, there could be no valid objection to the Provincial and Regional Transport Authorities being composed of government servants and persons nominated by the Government, for they had to decide only the merits of conflicting claims between citizens and citizens. That may however cease to be so when the Government itself operates a transport undertaking."

* * * * *

". . . . . in the case of public highways the State, assuming that the ownership of them vests in the State, is a trustee for the public which has an unlimited right of user of these highways. The effect of a statutory vesting of the streets in the District Board, Municipal Board, or the Provincial Governments is not to transfer to the bodies concerned, the ownership of the soil or the right over which the street exists. The street *qua* street vests in the District Board, Municipal Board or Provincial Government concerned. All that vesting involves is a transfer to public ownership of only so much of the air stated above and so much of the soil surface below as is reasonably necessary for the public body concerned to manage the streets vested in it. It cannot be presumed that the intention of the legislature was to confer upon the bodies concerned the rights of private property of a private owner.

"A more reasonable way of looking at the matter, in my opinion, is that the right of the owner had been abridged only to the extent necessary for the discharge of duties which had been cast on the public bodies concerned.

"The result of all this discussion is that bus-drivers have a right to ply motor buses on the public highways in question subject, of course to the right of the State to lay down conditions for the better regulation of traffic, etc."

* * * * *

"A reading of the Motor Vehicles Act leaves no doubt in my mind that refusal to renew permits was not within contemplation of the Motor Vehicles Act. As a matter of fact applications for renewals were to have priority over others. The Act was not a measure intended to create either a State monopoly or nationalization of the motor vehicular business on the highways. Barring the fact that cars owned by the Central Government or the Provincial Government were not required to have any permits, there is nothing to indicate in the Act that it was with a view to usher in a scheme of nationalization that it was passed. The use of the power of regulation of motor traffic by issue of permits vesting in the Provincial and the Regional Transport Authorities for purposes of creating a virtual monopoly constitutes a misuse of the Act. The straight course, if Government was of the view that nationalization was in the interest of the public, was to go before the legislature and have a proper Act. What actually the Transport Authority on some routes at all events has been doing is to use the power of refusing to issue permits to accommodate Government to create a virtual monopoly."

* * * * *

"The Motor Vehicles Act had not contemplated at the time it was passed its possible misuse in the interest of Government owned motor vehicles. If Government "Roadways" were not running and preferential treatment was not being accorded to them to the extent of creating a virtual monopoly on some routes, the section in question would be a perfectly good section. For it is a section intended to safeguard the safety of the public and ensure fair competition. It is because of the fear that the provisions of the section shall be perversely administered that the question of its being declared invalid arises. I do not think it proper to take note of this fear. For this reason I am not prepared to declare the sub-section in question, namely, 48(a) as invalid.

I have it perfectly clear that in my opinion the nationalization policy and the introduction of roadways are extraneous considerations with which the Regional Transport Authority must not concern itself. In a later part of my judgment, I have further made it clear that the section 42(3) which lays down that Government or State vehicles can be plied without permits is void. Whether the situation created by these observations requires a change in the law is for the legislature to decide.

* * * * *

"With its vast resources the modern State can, by entering into competition with private business and keeping tight control and regulation of business in its own hands, easily drive out private business altogether from the field and establish, without legislative approval or sanction, a virtual monopoly. By engaging itself in commercial and industrial enterprises, without the sanction of the legislature, the modern State can develop sources of revenue which might make it unnecessary for it to depend for the running of its services on annual supplies granted by Parliament. Fortunately, under a system of responsible government, it is impossible for any State, except perhaps in an ultra-constitutional manner, to do any of the things I have indicated above. Nevertheless, if the 'equality clause' is to have any real meaning and serve as a protection to all persons including corporations, it must apply as equally to the State as to citizens when the State starts a trade or enters into business or starts, as in this case, roadways of its own, without express legislative authority."

"It is from this point of view that I approach a consideration of section 42(3) . . . . . of the Motor Vehicles Act . . . . . We have now to apply the test whether that section is consistent with the fundamental rights guaranteed in the Constitution. If it is not, it would be void under Article 13(1) of the Constitution. The conclusion that this discussion has led me to is that section 42(3)(a) is invalid in as much as it makes a distinction in the provision requiring permits between a Central Government or a Provincial Government vehicle and a transport vehicle owned by a private owner. This distinction can have vast effects upon the fortunes of concerns in the same business, i.e. the same category. It strikes me that no equal protection of law or equality before the law would be possible were the State buses exempted from permits and if distinctions in the matter of permits were allowed between buses owned by the State and other stage carriages permitted, even though the provision regarding permit is clearly capable of misuse. It is possible under that provision for a Regional Transport Authority to act in an arbitrary manner, particularly having regard to the provisions of section 48(1) of the Motor Vehicles Act. The conclusion I have been driven to is that the State is a juristic person for the purposes of Article 14 read with 19 (g) and that that section is in the circumstances of the case, invalid."

* * * * *

"Now a perusal of sections 47 and 48 clearly shows that the statutory body empowered in the Act to grant or refuse permits has been directed to consider matters mentioned in clauses (a) to (f) of section 47 (1). The words "shall have regard to the following matters" are mandatory. The section does not give an absolute discretion to the statutory body to grant or refuse a permit. It cannot therefore arbitrarily refuse to entertain an application or refuse to grant the same without considering those matters. Said Lord Cairns in Julius v. Bishop of Oxford, (1879) 5 A.C. 214 at 225—

> "Where a power is deposited with a public officer for the purpose of being used for the benefit of persons who are specifically pointed out, and with regard to whom a definition is supplied by the Legislature of the conditions upon which they are entitled to call for its exercise, that power ought to be exercised and the court will require it to be exercised."

"In the words of Darling, J. in L. R. (1918) 2 K. B. 68—

> "The body on whom is conferred the jurisdiction of granting such licences must hear each application on its merits and cannot come to a general resolution to refuse a licence to every body who does not conform to some particular requirement."

* * * * *

"Thus the Regional Transport Authority which is a statutory body constituted under the Motor Vehicles Act must not arbitrarily refuse to exercise its functions. It must act judicially and take into consideration only those matters which are mentioned in section 47(1) and, in making its decisions, it must act *bona fide* and reasonably. Now the nationalization of motor transport services, and the fact that the Government has taken over the routes in question for its Roadways, are considerations which do not find place in section 47 (1)."

* * * * *

"Again, the fact, that Government has taken over the routes with the intention of nationalization of motor transport service and of ousting everybody else from the field, is also not a consideration which is covered by clause (c) of section 47(1), or, for the matter of that, by any other clause of that section."

* * * * *

"Temporary permits for a period of three or four months could be granted only under section 62 for the purposes specified therein. It is conceded that the Regional Transport Authority, in the present case, granted temporary permits not on any of those grounds. It seems to me that the Regional Transport Authority was declining to grant regular permits valid for three years or more in compliance with the wishes of the Government because the latter intended to take over the routes for its own "Roadways".

"Thus the Regional Transport Authority has throughout acted not as an independent statutory body performing its function in a judicial manner uninfluenced by extraneous considerations, but as an imbecile agent of the Government carrying out its wishes and behests. There can be little doubt that it naturally misconceived its functions and failed to perform its duties in the manner required by law.

"The notices issued by the Regional Transport Officer whether acting for the Regional Transport Authority or as an officer of the Government could not be justified under any provision of the Motor Vehicles Act."

* * * * *

"In case no. 142 of 1950, the applicant held a regular permit which is valid upto May, 1951. He has, however, been stopped from using one of the routes included in this permit—Dehra Dun, Mussoorie route—from the 1st of March, 1950. This action cannot be too strongly condemned and is plainly unwarranted and illegal . . . . . "

* * * * *

"As regards case no. 143 of 1950, the applicant had obtained a non-temporary permit for the route Kishanpur-Manipur. But subsequently before the expiry of the time fixed in the permit, a portion of the route was withdrawn.

This order was clearly illegal and is void . . . . . "

APPENDIX XV

CODE OF PRINCIPLES AND PRACTICE IN THE REGULATION OF MOTOR TRANSPORT

1. The Central and State governments having regard to—

(1) Their common interest in the healthy development of all means of transport and in particular of transport on improved district and village roads,

(2) The necessity for an effective policy of co-ordination with a view to develop all forms of transport in their appropriate functions, and avoid wasteful duplication,

(3) The importance of so regulating the interests of individual users, and providers of transport as to serve the common good and controlling each form of transport in relation to the other and to the whole with a view to promote safe, adequate, economical and efficient services and foster sound economical conditions in transport including fair wages and equitable working conditions,

(4) The accepted policy of full development of public passenger services, and short haulage of goods by road, and

(5) The fact that with unimportant exceptions railways are publicly owned and managed by the Central government and will be operated with a view to secure the improvement of the services offered by the Railways and the greatest possible measure of co-ordination with other forms of transport, hereby agree that in respect of road and rail co-ordination, motor transport will be controlled under the directions of State Governments, subject to the provisions as amended from time to time of the Motor Vehicles Act and Rules thereunder and this Code of Principles and Practice.

ADMINISTRATIVE MACHINERY AND PROCEDURE

2. (1) Each State government will at its own cost establish and maintain the offices necessary for the effective administration and enforcement of the law as interpreted by this Code and will suitably impart all reasonable information to the Central government and the interests affected.

(2) In particular, each State government will create a wholetime office of State Transport Commissioner, or in the case of Assam, Bihar, Madhya Pradesh and Orissa of at least a whole-time Deputy State Transport Commissioner working under a part-time Commissioner. Subject always to the general control of the State government, the State Transport Commissioner will be the Chief Transport Administrative Officer in the State, Chairman of the State Transport Authority under the Motor Vehicles Act, unless Minister in charge is the Chairman and be competent to give such directions as may lawfully be given to the Regional Officers and Chairman of the Regional Transport Authorities under that Act. Where there is no whole-time State Transport Commissioner the Deputy State Transport Commissioner will be a Member and the Chief Executive Officer of the State Transport Authority.

(3) Without prejudice to the ultimate authority of the Central and the State governments respectively, the closest relation shall be maintained and direct correspondence be permitted between the State Transport Commissioner, and the Ministry of Transport of the Central Government.

(4) Each State Government will constitute a State Board of Transport to consider all general policy matters arising out of the Code and in particular to ensure the maximum co-ordination of all forms of inland transport so as to avoid wasteful competition. Representation will be given to the Railways on each of such Boards.

TRANSPORT ADVISORY COUNCIL AND STANDING COMMITTEE OF THE CENTRAL BOARD OF TRANSPORT

3. (1) The Central Government will as far as circumstances permit, convene meetings of the Transport Advisory Council not less frequently than at dates approximately twelve months following the previous meeting. Meetings will be convened at shorter intervals if there is at any time a general wish to that effect or if the business to be transacted renders that necessary.

(2) Except on grounds of great urgency, no important issue of transport policy of general application will be decided by the Central or a State Government and, in particular, no departure will be made from the provisions of this Code, without reference to a meeting of the Council, the conclusions of which are subject to ratification of the several Governments.

(3) Without prejudice to the generality of the foregoing, deviations, if any, deemed necessary by State Government, from the maximum limit laid down in sub-clause 7(3)(b)

shall be considered by the Standing Committee of the Central Board of Transport on which the representative of the State Government concerned should be coopted, on the basis of a statement of the case to be submitted by the State Government. The Committee's decision shall be final.

NOTE.—The drawing up of special zones equivalent in area to the compact area of a circle of 75 miles radius would be a deviation from the accepted provisions of the Code, and, therefore a matter for the Standing Committee of the Central Board of Transport to settle.

ARBITRATION

4. (1) Any dispute between the State Governments or between the Central and State Governments arising out of the administration of or under the Motor Vehicles Act or out of the interpretation of this 'Code', shall on the motion of any one party to the dispute be referred for decision to an Arbitration Board which shall be composed as follows :—

(a) where there are two parties to the dispute the Board shall consist of one representative of each party and a third Member who shall be the Chairman selected jointly by the other two Members;

(b) where there are more than two parties not including the Central Government, the Board shall consist of one representative of each party and a chairman appointed by the Central Government. Where the Central Government itself is a party to the dispute the Chairman shall be appointed by the Chief Justice of the Federal or Supreme Court;

(c) where the Arbitration Board consists of an odd number of Members, each Member including the Chairman shall give one vote and decisions will be by a majority of votes. Where the Board consists of an even number of Members, the Chairman shall have also a casting vote, besides his own vote, in the event of an equality of votes.

(2) The Arbitration Board will decide its own procedure in each case.

(3) Expenses of representatives and witnesses will be borne by each party. The cost and expenses of the Board will in each case be divided equally between the parties.

PASSENGER TRANSPORT—JOINT UNDERTAKINGS

5. State Governments will organise public passenger (stage carriage) transport and will form substantial undertakings in which the railway or railways concerned will be offered on reasonable terms a financial interest of not less than 20 per cent.

PASSENGER TRANSPORT—GENERAL

6. The State Government will invite the railway or railways concerned to co-operate in setting up a Joint Committee or Committees or other suitable machinery for mutual consultation in matters affecting road-rail co-ordination and the recommendations of such Committees will be given due weight by the State Government and the Railway Administrations concerned.

GOODS TRANSPORT

7. (1) Except where such facilities can be provided by an undertaking in which the railways have a financial interest of not less than 20 per cent., Railways and Steamer Companies or their accredited contractors should normally be granted permits to operate collection and delivery services within the municipal limits or a radius of 10 miles of any railway station or Steamer Ghat whichever is more.

(2) Applications by railway or by joint undertakings in which railways have a financial share for public carrier permits between places connected by railway shall be given equal consideration by Transport Authorities, with due regard to the need and the benefits of the co-ordination which should result, to that given to applications from other persons.

(3) (a) Every public carrier's permit should wherever possible include authorization to carry any goods except those prohibited by law anywhere within a "free zone" conforming to the size and configuration of the local traffic area.

(NOTE.—This might be roughly equivalent to a circle of not less than 3 miles radius from the centre of a small town, increasing to 15 miles or municipal limits in the case of a very large city.)

(b) A public carrier's permit should normally be valid with due regard to geographical conditions, flow of traffic and marketing centres for a compact area—a circle with a radius of 75 miles.

(c) A public carrier's permit valid outside the area described in (b) above should wherever possible, be expressed as valid outside the "free zone", and the "compact area" if any, for a specified route or routes only. "Free Zones" may, if necessary, be added at other towns on the route or routes.

(NOTE.—It is open to the S.T.A. to specify the goods to be carried.)

GRANT OR RENEWAL OF CARRIER'S PERMITS

(4) A Regional Authority should not, save in accordance with the general or specific instructions of the State Transport Authority grant, countersign or, renew any carrier's permit valid for a distance exceeding 75 miles between places served by railways and should not in any case grant, or, renew such a permit valid for a distance exceeding 150 miles between places connected by railway, but should refer the application to the State Transport Authority.

(5) Save in accordance with any regular agreement between the railway or railways concerned and the State Government, a carrier's permit valid between places connected by rail should normally not be granted (or countersigned) or renewed.

(a) If the distance exceeds 150 miles—unless the Authority is satisfied that the goods for the carriage of which the permit is required cannot be transported by rail without undue expense or inconvenience at least in the outward direction; and

(b) If the distance exceeds 300 miles—unless the circumstances are very exceptional or the goods to be carried in the outward direction are of a highly perishable or fragile nature.

(1) "Between places connected by railway" means between places connected by a railway route not exceeding in length 1-1/2 times the length of the road where there is no break of gauge in the railway connection, and not exceeding the length of the road where there is a break of gauge. Where a route originates or terminates at a place off the railway this distance and this criterion applies to the part of the route, if any, which is between places connected by railway as defined, and a place for this purpose means in relation to a town, the municipal area and elsewhere any place within a distance of three miles from any railway station.

(2) The provisions of sub-clauses (3) and (5) of this clause are intended to apply equally where goods vehicles are operated commercially without a permit.

(3) *The working of this part of the Code will be reviewed after 2 years in the light of experience.*

SPECIAL PROVISIONS APPLICABLE TO NATIONAL HIGHWAYS

8. Subject always to the provisions of clause 4 (1) the State Government will in giving directions to the State Transport Authority regarding the control of transport on National Highways, pay due regard to the advice of the Central government.

APPENDIX XVI

PARTICULARS OF MOTOR VEHICLE ASSEMBLY PLANTS IN INDIA

[Extracted from the "Statesman", dated 18th October 1950 and "Auto-Spark" of October 1950].

The following concerns are assembling motor vehicles in India. One or two are doing more than merely assembling vehicles but none is yet producing parts or components on any large scale from raw material obtained in India.

1. HINDUSTAN MOTORS

1. Hindustan Motors, Ltd., came into existence in 1942 and expanded its organisation in 1944. About the end of 1948 their factory, which covers an area of about one million square feet, was ready to start operations. The authorised capital of the company is Rs. 10 crores; and the paid up capital Rs. 4,97,99,700. The capital is entirely Indian.

2. They have their head office in Calcutta and their factory at Uttarpara, a short distance from Calcutta. The organization includes about 75 dealers and sub-dealers in India, Burma and Ceylon.

3. The company has entered into a technical assistance agreement with Morris Motors of Britain and Studebaker Export Corporation of the U. S. A.

4. The company estimates its manufacturing capacity at 8 vehicles per hour *i.e.* 64 in one shift, 128 in two shifts and 192 in three shifts per day. Their present rate of production is 15 to 20 per day. They produce Studebaker cars, Champions, Commander and Studebaker trucks, and Hindustan 14 h.p. cars.

5. In 1948 they assembled 2,382 cars and trucks and 2,516 in 1949.

6. About 60 per cent. of the finished components are imported. Hindustan Motors have machinery for the manufacture of 20,000 complete engines per annum less the electrical components and will shortly be equipping themselves for the manufacture of castings.

7. They have installed equipment for the machining of imported crankshafts (20,000 per annum) camshafts, cams, connecting rods and clutches. They are able to manufacture also transmission gears, gear box propeller shafts, rear axles and front axles.

8. They are also equipped for the manufacture of bright bolts, nuts, and screws, and are able to supply the requirements of all other assemblers. They will soon be in a position to manufacture 20,000 fuel pumps and motor pumps per annum.

2. PREMIER AUTOMOBILES

1. Premier Automobiles came into existence in 1946 with an authorized capital of Rs. 5 crores. They have entered into a technical assistance agreement with the Chrysler Corporation of Detroit for initial help in the manufacture of automobiles in India. They decided to engage in assembly work in the first instance and gradually proceed, according to a programme formulated, to manufacture.

2. The programme is split up into three stages: (1) Manufacture of simpler parts such as radiators, fuel pipes, exhaust mufflers and petrol tanks; (2) More difficult parts such as transmission springs, smaller body bushings, brakes, and forgings, and (3) Engines.

3. They have installed capacity for the manufacture of mufflers, exhaust pipes and tail pipes sufficient to supply the requirements of all the assemblers, and for the manufacture of petrol tanks at the rate of 25,000 to 30,000 per annum.

4. They have under installation one forging hammer of 1 ton, another of 2 and a third of 4 tons for the manufacture of camshafts, cams, and connecting rods sufficient for 20,000 vehicles per annum.

5. They have machinery for the manufacture of front springs and rear springs sufficient for 20,000 vehicles per annum and are in a position to supply other assemblers in addition to their own requirements. Machinery for the manufacture of shock absorbers sufficient to meet the demands of all assemblers has also been obtained.

6. They will shortly be installing a six-ton hammer to manufacture crank-shaft forgings. Output of the forgings from this hammer will be in the neighbourhood of 20,000 per annum. Equipment for machining the forgings from all the hammers will also be installed shortly.

7. Manufacture of transmission gears, gear box propeller shafts, rear axles and front axles will begin in the near future. They are equipping Acme Engineering Company, Bombay, for the production of castings; and this engineering company will shortly be taking up the manufacture of horns on behalf of Premier Automobiles.

8. The Premier Automobiles plant has an annual capacity of 12,600 cars and trucks (Dodge, De-Soto and Plymouth cars and Dodge, De-Soto and Fargo trucks).

3. ASHOK MOTORS

1. The company has its headquarters and factory at Ennore, near Madras. Its authorized capital is Rs. 2,00,00,000, issued capital Rs. 15,00,000 and subscribed and fully paid capital Rs. 32,50,000 (approximately). About 80 per cent. of the subscribed and paid-up capital is held by Indian nationals.

2. The Austin Motor Export Corporation has invested about 20 per cent. of the total subscribed capital and it is understood, if need be, could be persuaded to increase their holdings in the company.

3. Ashok Motors have installed capacity for the assembly of 20 cars and 5 to 10 trucks per day. Their actual rate of production, however, due to restricted import licences is much less.

4. They produce Austin A 40 cars, Austin trucks of various wheel bases and types, and all models of Leyland trucks. The proportion of imported parts and components is at present large. Indigenous items such as tyres, batteries, trimming, and rubber parts (excepting brake-hose pipes), wooden parts, and a few small parts are in use.

4. PENINSULAR MOTORS

1. This Corporation now employs 289 Indians and four Europeans and the present estimated capacity is 8 cars and 20 chassis per eight-hour shift from the combined works at Bombay and Calcutta.

2. Authorized capital Rs. 50 lakhs of which Rs. 36 lakhs was subscribed.

5. STANDARD MOTORS

Standard Motors Company (India) was permitted to put up an assembly plant in 1948. The assembly section of the factory is complete. They will be installing machinery during the next one or two years for machining the castings for brake drums and are willing to supply these to other assemblers also.

6. ADDISONS OF MADRAS

Messrs Addison & Co., Ltd., started in 1873 as a general engineering company. They have their headquarters at Madras, and branches at Bangalore, Wellington and Coimbatore. Their capital is Rs. 20 lakhs. Except for the Works Manager who is from Britain, the organisation is completely Indian.

Addisons have an installed capacity of 30 vehicles a week; and production is starting. They will be assembling Morris Minor cars. Except rubber parts which are obtained from indigenous sources, all components are imported.

7. THE FRENCH MOTOR CAR COMPANY

The French Motor Car Company was first established in Calcutta in 1905 under the title of the French Motor Car & Electric Co., Ltd. The expansion of the Company was so steady and satisfactory that it was deemed necessary to open a branch in Bombay in 1909, in Lucknow in 1928 and in Kanpur in 1938.

The company's assembly plant in Bombay has a capacity of 50 cars and 50 trucks a month. Rate of production is 10 a week of each. Types produced are Morris Minor saloon and tourer, and Morris commercial trucks.

Of the components required, about 65 per cent. are imported and the balance purchased from indigenous sources.

The company caters for all branches of automobile work.

8. ROOTES GROUP

The Rootes Group of the United Kingdom obtained Government sanction to establish themselves as assemblers of cars and trucks, solely for defence and commercial purposes, with the ultimate object of manufacturing them in the country. They have recently purchased one of the existing plants near Bombay. Their paid-up capital is Rs. 35 lakhs.

They intend to assemble Humber and Hillman cars and Commer, Karrier and Hillman trucks. Their installed capacity is 3,000 vehicles a year.

9. MAHINDRA AND MAHINDRA LTD.

Capacity—1500 jeeps a year.

10. DEWAR'S GARAGE AND ENGINEERING WORKS, CALCUTTA

Capacity—750 Albion trucks and Land Rovers a year.

11. MESSRS. GENERAL MOTORS

Capacity—15,000 a year.

12. MESSRS. FORD MOTOR COMPANY OF INDIA LTD.

Capacity—14,400 a year.

APPENDIX XVII

MUNICIPAL TAXES 1946-47

ITEMS	STATES LEVYING OCTROI TAXES				STATES NOT LEVYING OCTROI TAXES.				
	U. P.	Punjab	M. P.	Bombay	W. Bengal	Bihar	Orissa	Madras	Assam
General Information.									
1. No. of municipalities.	86	60	82	130	75	57	8	81	13
2. Population (in Lakhs).	45·93	14·63	18·26	41·04	22·51	16·23	2·62	36·63	2·25
3 Total Income (Rs. Lakhs).	468·23	76·72	152·38	439·87	115·08	78·09	22·03	387·46	19·74
4. Govt. & other grants (Rs. Lakhs).	79·86	5·29	11·38	56·53	20·00	20·05	0·13	39·51	3·30
5. Collected Income.	388·37	71·43	141·00	383·34	95·08	58·04	21·90	347·95	16·44
6. Per capita incidence of Item 5 in Rs.	8·5	4·8	7·7	9·4	4·2	3·6	8·4	9·4	7·3
Direct Taxes.									
7. Houses & lands (Rs. Lakhs).	27·30	5·00	8·67	42·31	42·78	19·28	2·16	69·42	4·13
8. Lighting rate ,,	..	..	0·28	1·23	3·07	0·22	..	54·35	0·45
9. Water rate ,,	29·93	4·18	15.31	83·36	8·96	5·26	0·52	30·53	2·09
10. Conservancy rate ,,	2·25	0·19	15·79	20·11	16·07	12·74	1·78	9·64	3·18
11. Trades & Professions ,,	2·58	0·04	1·28	1·60	3·99	0·92	0·09	10·81	0·15
12. Animals & Vehicles ,,	4·04	0·98	1·39	8·04	1·37	0·44	0·10	9·47	0·38
13. Markets ,,	8·68	0·26	6·60	11·76	1·68	3·09	0·38	22·66	2·97
14. Education (fees etc.) ,,	4·25	0·41	4·74	6·25	0·21	0·46	0·08	14·12	0·07
Rents ,,	18·77	6·08	4·31	7.47	2·67	1·17	0·18	4·81	0·46

ITEMS	STATES LEVYING OCTROI TAXES				STATES NOT LEVYING OCTROI TAXES				
	U. P.	Punjab	M. P.	Bombay	W. Bengal	Bihar	Orissa	Madras	Assam
Direct Taxes—contd.									
16. Other taxes (Rs. Lakhs).	88·85	24·54	43·88	132·50	12·41	14·46	16·39	86·32	2·53
17. Total of Direct Income. (Rs. Lakhs).	186·65	41·68	102·25	314·63	93·21	58·04	21·68	312·13	16·41
18. Per capita incidence of Item 17 in Rs.	4·1	2·8	5·6	7·7	4·1	3·6	8·3	8·5	7·3
Indirect and Transit Taxes.									
19. Octrois/Terminal Taxes (Rs. Lakhs).	176·30	29·25	36·22	63·10	..	..	..	..	..
20. Tolls on roads & ferries. ,,	25·42	0·50	2·53	5·61	1·87	..	..	34·52	0·03
21. Pilgrim taxes. ,,	..	..	..	..	..	..	0·22	1·30	..
22. Total indirect taxes. ,,	201·72	29·75	38·75	68·71	1·87	..	0·22	35·82	0·03
23. Per capita incidence of Item 22 in Rs.	4·4	2·0	2·1	1·7	0·1	..	0·1	0·9	0·01
Grants									
24. Govt. grants (Rs. Lakhs).	78 94	5·04	10·15	53·18	18·89	19·74	0·01	37·12	2·35
25. Other grants ,,	0·92	0·25	1·23	3·35	1·11	0·31	0·12	2·29	0·95
26. Total grants. ,,	79·86	5·29	11·38	56·53	20 00	20 05	0·13	39·51	3·30
27. Per capita incidence of Item 26 in Rs.	1·7	0·4	0·6	1·4	0·9	1·2	0·05	1·1	1 5

APPENDIX XVIII

ELEMENT OF EXCESSIVE COST IN OPERATION CAUSED BY BAD ROADS

Actual figures supplied by the companies mentioned have been taken.

EXAMPLE A.
Nationalised Bus Transport Companies

I. A nationalised bus transport concern operating on bad District Roads (figures for May 1950) ;

II. Another nationalised bus transport concern operating on District Roads not so bad as No. I. (figures for 1949-50) and

III. A third nationalised bus transport concern operating on modernised roads within a city (March 1950)

Savings in tyres and repairs.

Expenditure *per mile* by concern No. I, very bad roads	3·33*	annas
No. II, slightly better roads	3.00*	,,
Average of I & II	3·17	,,
Expenditure per mile by concern III, good roads	1·90	
Savings in spares and tyres per mile	1·27	annas
Savings for a bus doing 30,000 miles	Rs. 2,381.	

Saving in fuel estimated

Mileage on bad roads	11 m. p. g.	
-do- on good ,,	12 m. p. g.	
Savings on 30,000 miles	227 gls.	
Cost of 227 gls. @ Rs. 2/4/- per gallon.	Rs. 511	
Total savings per bus annually	Rs. 2,892	

Explanation

In the course of evidence it was pointed out that a big concern operating

EXAMPLE B.

Large Private Bus Transport Companies.

Tyres.

I. Mileage per set of tyres obtained by a company operating on bad roads	10,500	miles
II. Mileage by a company operating on better roads	20,000	,,
No. of sets of tyres required by Company I	3	
-do- -do- II	1½	
Cost of 1½ sets of tyres saved	Rs. 2,817	

Repairs.

	as.	ps.	
Repair costs of Company I operating on bad roads	2	5	per mile.
Repair costs of Company II in city operation	1	6	,,
Saving per mile	0	11	
Saving on 30,000 miles @ 11 pies per mile	Rs. 1,719		

Petrol.

Saving in petrol as per estimate on left	Rs. 511
Total savings per bus annually	Rs. 5,047

EXAMPLE C.
Goods Vehicles

It was not possible to obtain details from companies operating goods vehicles but on the figures supplied under Example B the extra expenditure on the typical lorry (14,500 lbs. laden weight operating over 20,000 miles a year)

a fleet of approximately 300 buses on modernised roads in a city had a spring casualty of one spring per month whereas on mof ussil roads in the same State there were certain routes on which a spring broke every day.

One nationalised transport concern said that with better roads, the vehicle strength could be reduced by one-third.

*As the vehicles of nationalised concerns No. I & II are largely new ones, the expenditure on tyres and repairs is lower than what it will be when vehicles are about 4 years old. One concern in evidence stated that repairs will be probably 2 annas per mile higher when the vehicles are 4 to 5 years old. Taking an increase of one anna per mile on a conservative estimate we have to add Rs. 1,875 to the saving of Rs. 2,892, bringing the total to Rs. 4,767.

incurred when it is operating over bad roads would be in the neighbourhood of Rs. 2,000 a year.

APPENDIX XIX

A NOTE ON THE STATISTICS THAT IT IS DESIRABLE TO COLLECT ON THE OPERATION OF PUBLIC SERVICE VEHICLES.

1. *Buses.*—(i) The routes on which operating, mentioning the milage and the names of stands (classified according to types if these are of different types).

(ii) Particulars of running each day, giving—

(a) No. of trips on each route in each direction and total milage.

(b) Petrol or diesel oil consumed.

2. *Public Carriers.*—For each day, the milage travelled, petrol or diesel fuel consumed, nature and approximate weight of goods carried to and fro, and the freight charges received.

3. *Private Carriers.*—The milage run each day.

4. *Returns.*—Each operator should be required to submit to the Regional Transport Authority in respect of each quarter or part of the quarter during which he operated, the following details of the working for the quarter :—

(1) No. of permits of different categories.

(2) Routes or Regions operated, separately in respect of buses and goods vehicles.

(3) No. of maximum daily return trips sanctioned for each vehicle.

(4) No. of vehicles with valid certificates of fitness giving the following particulars for each—

(a) Registration No.

(b) Make.

(c) Year of manufacture.

(d) Petrol, diesel oil, or gas plant.

(e) Wheel base.

(f) Seating capacity (according to class if any) or authorized load.

(5) No. of places where the operator has a stand (of different kinds, if necessary).

(6) In respect of buses, during the quarter—No. of buses in service at the beginning of each month, and the average no. in service per day; total no. of trips; total no. of bus-miles travelled; total no. of passengers travelling *i.e.* no. of tickets issued (classified according to the denomination of each ticket, or where the fare varies, according to the value of the fare in annas upto one rupee and by rupees upto 5 rupees and by 5 rupees thereafter); total petrol or diesel oil consumed; total earnings from running the vehicles; income to the transport organisation from sources other than from running the vehicles; total expenses

during the quarter under the following heads :—

Establishment including allowances

Running costs separately under :—

Fuel & Lubricants

Tyres

Repairs

Tax

Insurance

Uniform, stationery etc.,

Depreciation on vehicles

Depreciation on buildings

Interest on capital

Others.

(7) In respect of public carriers, for all the vehicles together, during each quarter—

Total vehicle-miles run (a) empty (b) partly full (c) full, showing the charges received separately under (b) and (c), total petrol or diesel oil consumed; income to the organisation from sources other than from running the vehicles; total operating expenses under the same heads as in (6) above.

(8) In respect of private carriers, total vehicle-miles run.

(9) In respect of cabs, total vehicle-miles run and total fares received.

5. *Compilation.*—The particulars collected should be totalled in respect of the following categories of operators and the totals published annually by the State government preferably as an appendix to the Report on the Administration of the Motor Vehicles Act :—

Operators having	(i) Less than 10 vehicles.	No. of operators in each category also to be stated.
	(ii) 10 or more but less than 20 vehicles.	
	(iii) 20 or more but less than 50 vehicles.	
	(iv) 50 or more vehicles.	Particulars to be given for individual operators or companies.

APPENDIX XX

FUEL AND ANNUAL MOTOR VEHICLE TAXATION IN FOREIGN COUNTRIES

Country	Gasoline		VEHICLES (Annual Road Taxes, omitting Import Duties, Purchase or Sales Taxes, Registration fees, etc.)		
	Unit*	Rate	Private Passenger Cars	Goods Vehicles	Omnibuses
(1)	(2)	(3)	(4)	(5)	(6)
Austria	Gallon	Rs. 0 as. 8	*On cylinder capacity per 100 c.c. or part* Rs. 5.73	*On unladen wt.* *Per. 441 lb.* Below 5292 lb. Rs. 10·46 *Over ,, Rs. 5·23 *Where unladen wt. exceeds 80% of carrying capacity, rate is on carrying capacity.	*On unladen wt.* *Per 441 lb.* Below 5292 lb. Rs. 10·46 Over ,, Rs. 5·23
Belgium	Gallon	Rs. as.10	*Years in Service.* On H.P. (Belgium rating) *Rs. per H.P.* Up to 11 11.4 Over 11/to 19 Additional 22·8 Over 19 ,, 45·6	Reductions are allowed on all vehicles. *Up to 5512 lbs.* On H.P. (Belgium rating) *Rs. per H.P. on total H.P.* Up to 10 15·96 11/21 17·10 Over 21 19·38 *Over 5512 lbs.* unladen wt. e. g. *Rs per 220.5lb.* 5512/6615 lb. 20·52 11,027/13,230 23·94 Diesel vehicles pay double rates	As for private Cars. Diesel vehicles pay double rates.
Czechoslovakia	220·5 lb. (Approx. 30 gallons)	Private Cars Rs. 141·55 Lorries Rs. 68·40	A one time tax of 130% on the f.o.r. or f.o.b. price.		

*"Gallon" means Imperial gallon unless otherwise indicated,

(1)	(2)	(3)	(4)	(5)	(6)
Denmark	Gallon	Re. 1 as. 5	*On unladen wt.* *e.g.* *Rs. per 220.5 lbs.* Up to 2756 lb. 6.90 4412/5512 lb. 13.80	*On unladen wt.* *e.g.* *Rs per 220·5 lbs.* 5515/5733 13 80 7499/& over 20·70	As for Private Cars.
Eire	Gallon	7.8 as.	On H.P. (with exceptions shown) *H.P.* *Rs.* Upto 8 160·39 9 180·44 10 200·49 11 240·59 12 267·32 Over 12 26·73 for each additional H. P. Vehicles 75% made in Eire Rs. 133.66 flat rate. Vehicles over 16 H. P. assembled in Eire. Rs. 374.25 flat rate.	*On unladen wt.* *e. g.* 1½ to 2 tons. Rs. 400·98 5/6 tons. Rs. 1202·94	*On Seating Capacity.* *e. g.* 20/26 seats Rs. 1158·39 27/32 ,, Rs. 1425·71 Over 32 seats Rs. 44·55 for every additional seat.
Finland	220·5 lbs. (Approx. 30 gallons)	Rs. 23.436	*On unladen wt.* *Rs. per 220.5 lbs.* Upto 3528 lbs. 6.3 (Minimum—Rs. 63) Over 3528 lbs. Additional 12.6	*On unladen wt.* Rs. 5·04 per 220.5 lbs. (Minimum Rs. 50.4) Additional Rs. 5.46 per vehicle used for hire or reward. Taxes on diesel Vehicles are approx. three timos those on other vehicles.	*On laden wt.* Rs 6.3 per 220.5 lbs. Additional Rs. 21 per vehicle.
France	Gallon	Re. 1 as 9	Nominal	Nominal	Nominal

(1)	(2)	(3)	(4)	(5)	(6)
Greece	220·5 lb. (Approx. 30 gallons).	Rs. 74·35	On (1) H. P. *plus* (2) Per seat *plus* (3) Unladen wt. Road Maintenance 10% surcharge. Stamp Tax 3%. Motorist Pension Fund Rs. 102. Municipal tax 400.	*Private* — *Gasoline*: on H. P. / on registered capacity per M. T.; *Diesel*: on unladen weight. Road Maintenance: 10% surcharge (Gasoline); 10% surcharge (Diesel) Stamp tax: 3% (Gasoline); 3% (Diesel) Motorists Pension Fund: Rs. 102 (Gasoline); Rs. 250 (Diesel) *For Hire or Reward* — *Gasoline*: Professional tax-; *Diesel*: on unladen wt. Professional tax. Road Maintenance: Nil (Gasoline); Nil (Diesel) Stamp tax: Nil (Gasoline); 3% (Diesel) Motorists Pension Fund: Rs. 264 (Gasoline); Nil (Diesel) Municipal tax: Rs. 250 (Gasoline); Nil (Diesel)	*Gasoline* / *Diesel* Flat rate: Rs. 180 / Rs. 2,300 Road Maintenance: 10% surcharge / 10% surcharge Stamp tax: 3% / 3% Motorists Pension Fund: Rs. 264 / Rs. 264 Municipal Tax: Rs. 400 / Rs. 400
Holland	Gallon	Re. 0 as. 12	*On unladen wt.* Rs. 10·04 per 220·5 lbs. (Min. Rs. 80·32).	*On unladenwt.* : on ascending scale *e. g.* 4410/6615 lb. Rs. 238·45 *plus* Rs. 13·8 per 220·5 lbs. over 4410 11025/13230 lbs. Rs. 690·25 *plus* Rs. 17·6 per 220·5 lb. over 11,025 lbs. Diesel vehicles : Rates are 250% of those on Gasoline vehicles.	*On unladen wt.* at Rs. 12·55 per 220·5 lb. *plus* on seating capacity, *e. g.*, 30/40 seats Rs. 112·95 *plus* Rs. 5·02 per seat over 30. Diesel vehicles 250 % of those on Gasoline vehicles.

(1)	(2)	(3)	(4)	(5)	(6)
Iceland	Gallon	Re. 0 as. 13	*On unladen wt.* Rs. 10·55 per 220.5 lbs.	Gasoline .. None. Diesel .. Rs. 28·13 per 220·5 lbs. unladon weight.	*On unladen wt.* *Rs. per 220·5 lbs.* Gasoline .. 10·55 Diesel .. 28·13
Italy	220·5 lb. (30 gallons approx.)	Rs. 74·10	On Horse Power (local formula) *H. P.* — *Rs.* Up to 10 — 24·00 11/20 — Additional 4.8 per H. P. above 10. 20/21 — 79·20 21/25 — Additional 7·2 per H. P. over 21. 25/26 — 117·60 Over 26 — Additional 9·6 per H. P. over 26.	*On unladen wt. e. g.* *Rs.* 3308—4410 lbs. — 115·2 5513—6615 „ — 172·8 9923—11025 „ — 288·0	As for private passenger cars.
Norway	Gallon	Re. 1 as. 6	"Luxury Tax" on value pre-war *plus* 60% *e. g.* *Value* Rs. 2672 — 3% next 2004 — 6% next 2004 — 9% next 2004 — 15% Additional — 25%	*Gasoline* .. Nil. *Diesel* .. Rs. 30·06 per 220·5 lb. unladon weight.	*Gasoline* On seating capacity Rs. 1·67 per seat *plus* Rs. 0·668 per standing place. *Diesel* Additional Rs. 46·76 per 220·5 lbs. unladen wt.
Portugal	Gallon	Rs. 2 as. 3	No Road or circulation taxes. There are heavy import duties, assessed on a weight basis. Private passenger cars pay one time sales tax ranging from 15% to 50%.		

1	2	3	4	5	6
Spain	Gallon	Rs. 6 as. 0	All vehicles pay on registration 15% of value *plus* 3% Luxury Tax *plus* Rs. 160 Sundry Expenses.		
			On H.P. (Spanish Formula) *e.g.* *H.P.* *Rs.* 12 383.4 20 1065.0	On H.P. (Spanish Formula) *e.g.* *H.P.* Rs. 20 852 25 1065 30 1278 Used outside city limits additional tax on quantities transported.	On H.P. (Spanish formula). *e.g.* *H.P.* *Rs* 30 1278 40 1704 Seating capacity more than 30-10% surcharge. Used outside city limits-additional Rs. 639.
Sweden	Gallon	Re. 1 as. 14	On complicated formula based on unladen wt. *e.g.* FIAT 1323 lb. Rs. 64.5 FORD 6 cyl. 3308 lb. Rs. 175.2	On complicated formula based on unladen wt. *e.g.* Rs. 5513 lb. 387.24 8820 lb. 894.34	On complicated formula based on unladen wt. *e.g.* *Rs.* 36 seating 11,466 lb. 936.75
Switzerland	Gallon	Re. 1 as. 3	*e.g.* *Rs.* FIAT 4 cyl. Gross wt. 1323 lb. 77.77 FORD 49,6 cyl. Gross wt. 3308 lb. 233.31	Vary from Canton to Canton. BERNE *e.g.* *unladen wt.* *Rs.* 5513 lb. 422.18	*e.g.* 36 seater-unladen weight 11,466 lb. Rs. 1153.2.
Turkey	2.205 lb.	Re. 0.52. Re. 1 as. 12 per gallon approx.	On H.P. (Local formula) *e.g.* *H.P.* *Rs.* 11.5 182.6 19.5 273.9 over 19.5 456.6	*On unladen wt.* *Rs.* 4410 lb. 365.3 over 4410 lb. 473.5	As for Private Passenger Cars.

1	2	3	4	5	6
U.K.	Gallon	Re. 0 as. 8	*First Registration before 1-1-47.* *On H.P.* *H.P.* — *Rs.* Upto 6 — 100·25 Over 6 — 16·71 per every H.P. *First Registration after 1-1-47.* Flat rate Rs. 133.66	*On unladen wt.* *e.g.* 2½Tons/2¾Tons Rs. 434.40 5 Tons Rs. 935.62 Agricultural use & transport of Agricultural produce. } Lower rates.	*On seating capacity* 8/26 seats Rs. 160.39+ Rs. 26.73 for each over 8 26/32 seats Rs. 641.57+ Rs. 21.39 for each over 26 Over 32 seats Rs. 769.88+ Rs. 16.04 for each over 32
U.S.A.			The rates vary from State to State—Two examples are given below.		
New York	Gallon (U.S.)	Re. 0 as. 4 (State tax)	*On unladen wt.* Upto 3500 lbs Rs. 2.39 per 100 lbs. or major part Over 3500 lbs. Rs. 3.58 per 100 lbs. over 3500 lbs. *Minimum Fee:* 6/12 cylinders Rs. 47·76 Others Rs. 38·20	*On unladen wt.* *PRIVATE* Upto 1800 lbs. Rs. 57·31 Over 1800 lbs. Rs. 3·58 per 100 lbs. or major part. *PUBLIC* For hire or reward. Transportation Corporation taxes and Utility taxes are payable.	*LOCAL* Wholly within city limits, under franchise } Rs 47.76 *plus* % of gross receipts. *OTHER:* on passenger capacity. *e.g.* 21/22 seats Rs. 262·68 27/30 „ Rs. 322 38 Over 30 „ Rs. 9.55 for each additional seat Transportation Corporation Taxes and Utility taxes are payable.

1	2	3	4	5	6
Michigan	Gallon (U.S.)	Re. 0 as. 3½ (State tax)	*On unladen wt.* Rs. 1.67 por 100 lbs.	*Private* *On unladen wt.* per 100 lbs. Upto 2500 lbs. Rs. 3·10 2501/4000 „ Rs. 3·82 4001/6000 „ Rs. 4·78 Over 6000 „ Rs. 5·97 Farm tracks owned by farmers and not for hire are exempt. *Common Carriers* On unladen wt. as above *plus* on gross weight. *gross wt.* *per mile.* Upto 11,000 lbs. .107 as. 11001/15000 „ .115 as. Over 15,030 „ .153 as. *Exempt.* Vehicles transporting farm products, live-stock etc ; used for occasional transport including seasonal transport of perishable commodities.	*On unladen wt.* *plus.* *On gross wt.*, at rates shown under "Goods Vehicles" *Exempt.* Vehicles operated entirely within city or village limits.
Canada			Rates vary from State to State. One example is given below.		
Alberts	Gallon	Re. 0 as. 6	According to length of wheel base in inches. *e.g.* 115/120″ Rs. 108·05 Reduction for vehicles over 10 years old.	According to length of wheelbase in inches, *plus* on gross wt. *e.g.* 130/135″ Rs. 140·47 16000/17000 lbs. Rs. 821·18 Reduction for use within city limits.	As for goods vehicles.

1	2	3	4	5	6
Argentine	Gallon	Re. 0 as. 1½	Taxes vary throughout the country-Province of Buenos Aires-Ford or Chevrolet Rs.133·3 (city of B.A. Rs274.4)	Annual charges for vehicles named : 5 Ton Lorry Rs. 235 2	25 seater Rs. 164.64
Brazil	Gallon	Re. 0 as. 11½	Taxes vary throughout the country. *Rio de Janeiro* First year Rs. 115.26 Each following year. Rs. 79·56	First year Rs. 115 26 Each following year Rs. 79·56	First year Rs. 115.26 Each following year. Rs. 79.56
Chile	Gallon	Re. 1 as. 8	*On selling price* Upto Rs. 4620 Rs. 46.2 4621/6160 Rs. 69.3 6161/7700 Rs. 107.8 7701/12320 Rs. 154.0	*On unladen wt.* Upto 3308 lbs. Rs. 23.1 3309/6615 ,, Rs. 46.2 6616/9923 ,, Rs. 69 3 9924/13230 ,, Rs. 92.4 Over 13230 ,, Rs. 115.5	Small, with tram car tariffs Rs. 61.6 Other, with higher tariffs Rs. 154.0
Columbia	Gallon	Re. 0 as. 8½	Flat Rate : Rs 121.80	Flat rate Rs. 63·3	*On seating capacity.* *Seats.* *Rs.* 8/14 136.4 15/18 151.0 19 & over 180·3
Ecuador	Gallon (U.S.)	Re. 0 as. 7	Rates vary throughout the country. Those shown are for QUITO, and are fairly representative of rates charged elsewhere. Flat rate : Rs. 49.70	Private : Rs. 28.46 Public : Rs. 10.76	As for Goods Vehicles.

(1)	(2)	(3)	(4)	(5)	
Paraguay	Gallon	Rs. 3 as. 14	*On value.* Under Rs. 4016 Rs. 38·25 Over Rs. 4016 Rs. 53·55	*On unladen wt.* *Tons* — *Rs.* Under 2 — 30·60 2/4 — 38·25 4/6 — 45·90 6/8 — 53·55 Over 8 — 61·20	*On unladen wt.* As for Goods Vehicles.
Peru	Gallon (U.S)	Rs. 0 as. 2½	*On value* — *Rs.* Up to Rs. 2080 — 27·20 Over Rs. 2080 — 40·10	*On unladen wt.* *Rs.* Up to 3 Tons — 20·48 Over 3 Tons — 30·08	*Flat rate :* Rs. 24·32
Mexico	Gallon	Rs. 0 as. 5½	Flat rate : Rs. 4·42	Flat Rate : Rs. 4·42	Flat Rate : Rs. 4·42
Venezuela	Gallon	Rs. 0 as. 1	*On unladen wt.* *Lbs.* — *Rs.* Up to 2205 — 165·42 2205/3308 — 193·94 3308/4410 — 222·46 Over 4410 — 250·98	*On unladen wt.* *Rs* Up to 4410 lbs. 308·02 each additional 2205 lbs. or part } 142·6	*On seating capacity.* Rs. 22 82 per seat.
Australia	Gallon	Rs. 0 as 7¾	Vehicle Taxes vary from State to State. H. P. formula : H. P. = (*Internal diam. in in.*)² × *No. of cyliners* /2.5 (Except in W. Aus.) West Australia H. P. = (*Diam. in in,*)² × *stroke in in.* × *No. of cylinders* /12		
South Australia			Taxes on H. P. multiplied by unladen wt. in cwts.	Taxes on H. P. multiplied by unladen wt. in cwts. Primary producers are allowed 50% reduction.	Taxes on H. P. × unladen wt. in cwts. *plus* From 2½% to 10% on gross takings.
Victoria			Rs. 1 6 per power-weight unit.	Licence to operate beyond a 50-mile radius any given town, Rs. 0.53 to Rs. 2·66 per cwt. according to	*Metropolitan.* Rs. 31·91 *plus* Rs. 35·90 per seat

(1)	(2)	(3)	(4)	(5)	(6)
				carrying capacity. *plus* Rs. 2·13 to 3·19 per power-wt. unit according to unladen wt. and country of origin of vehicle.	*plus* Rs. 53 19 p. a. *plus* Rs. 7 98 to 13.30 per seat according to route. *Country.* Rs. 10 64 *plus* Rs. 10·64 per seat *plus* Rs. 2·13 to 3·19 per power wt. unit according to unladen wt. and No. of Vehicles. Diesel-engined-Double rates.
West Australia.			On H. P. × unladen wt. in cwts. per ascending scale.	*Operating within 15 miles radius of PERTH G. P. O.* On H. P. × Laden wt. in cwts. per ascending scale. *Operating beyond 15 miles.* Not exceeding Rs. 3·99 per power-wt. unit *plus* On H. P. × Laden wt. per ascending scale. Primary producer owned used to carry products or requisites-half rates.	On H. P. × Laden wt. in cwts.
New South Wales.			Rs. 2·13 to Rs. 2·66 per cwt. p.a. on unladen wt. according to country of origin.	Rs. 2·13 to Rs. 2·66 per cwt. on unladen wt. according to country of origin. Special Permit necessary. If operated in excess of 50 miles in competition with Rlys., additional 2.13 as per ton-mile on unladen wt. *plus* allowable load, whether loaded or not.	Rs. 2·13 to Rs. 2·66 per cwt. on unladen wt. according to country of origin *plus* permit fees which are elastic, usually dependent upon public services in area. Government-owned : No Permit Fees.

(1)	(2)	(3)	(4)	(5)	(6)
Queensland			Rs. 1·26 per H.P. x unladen wt. in cwts.	Rs. 1. 26 per H.P. × unladen wt. in cwts. *plus* operating within 15 miles from base. Nil Inter-town: 2½% to 20% of gross weight 20% where suitable alternative transport available. Freights must not be lower than rail freights. Diesel-enginod: Double rates.	Rs. 1.26 per H.P. × unladen wt. in cwts. *plus* Operating within 15 miles from base Nil. *Inter-Town. per passenger mile* No alternative service available. 2·13 pies Inadequate alternative service. 6·38 „ Adequate alternative service. 8·51 „ Isolated centres with no other services. 4·26 as.
New Zealand	Gallon	Rs. 0 as 13	Flat Rate Rs 26·35	Flat Rate Rs. 26.35 *plus* on laden wt.: *e.g* 7½ tons Rs. 561·21 *plus* Milage Tax on laden wt. *e.g.* 7½ tons Rs. 11·09 per 100 miles. Vehicles using Gasoil pay 60% of milage tax payable on gasoline vehicles.	Flat Rate Rs. 39.52 *plus* Rs. 52.70 per service *plus* on seating capacity. *e.g.* 30 seater Rs. 671·87 *plus* Milage Tax on Laden wt. *e.g.* 7½ tons Rs 11·09 per 100 miles. Vehicles usin. Gasoil pay 60% of milage tax payable on gasoline vehicles.
Ceylon	Gallon	Rs. 1 as 5	*On unladen wt.* *e.g.* *Rs.* 15 cwt/20 cwt. 35 25 cwt/30 cwt. 50 35 cwt/40 cwt. 100	*On unladen wt.* *Gasoline* *Gasoil.* 15/20 cwt. Rs. 10 — 40/50 cwt. 100 132 90/100 cwt. 200 2064 100/cwt. and over. 300 2256	*On seating capacity.* Rs. 10 per seat (Minimum Rs. 160)

(1)	(2)	(3)	(4)	(5)	(6)
			Tariffs are in course of re-establishment.		
Indonesia	Gallon	Rs. 1 as. 4	*On Laden wt.* There are additional taxes for vehicles using fuels other than Gasoline.	See under "Private Passenger Cars".	See under "Private Passenger Cars".
Malaya	Gallon	Rs. 1 as. 1	*On H.P.* *H.P.* — *Rs.* up to 7 — 56.12 8/11 — 112.25 12/16 — 130.96 17/20 — 149.66 21/30 — 187.08 Over 30 — 261.91	*On unladen wt.* *e.g.* 20/40 cwts. Rs. 280 62 40/60 „ Rs. 374.16 80/100 „ Rs. 748.32 Diesel Vehicles : Rates are more than double those payable on gasoline vehicles	*On Seating capacity plus on H.P.* Per seat per annum Rs. 93.54 *e.g.* *H. P.* — *Rs.* 16/20 — 74 83 21/30 — 93.54 Over 30 — 65.48 Diesel Vehicles pay additional Rs. 140·31 per seat.
			(All amounts are in Pakistan Rupees).		
Pakistan	Gallon	Rs. 1 as. 2	*On unladen wt.* — *Rs.* up to 15 cwts. — 40 15/30 — 42 30/45 — 60 Over 45. — 80 *plus* Municipal wheel tax—Rs. 70/-	*On registered laden wt.* *lbs.* — *Rs.* upto 2500 — 60 2501/5000 — 70 5001/8500 — 80 8501/12500 — 95 Over 12,500 — 150 *plus* Municipal wheel tax—Rs. 150/	*On seating capacity.* First 4 passengers. Rs. 46 Each additional Rs. 4 *plus* Municipal wheel tax Rs. 70
Philippines	Gallon	Rs. 1 as. 4	Flat Rate of Rs. 83.23	On unladen wt. Rs. 7.13 per 220.5 lbs.	Flat Rate of Rs. 142.68

(1)	(2)	(3)	(4)	(5)	(6)
Cyprus	Gallon	Rs. 1 as. 3	*Unladen wt.* *e.g.* 10/15 cwt. Rs. 61.48 20/25 „ Rs. 81 53 Over 25 „ Rs. 121.63	*Unladen wt.* As for private passenger cars.	*Unladen wt.* As for private passenger cars.
Egypt	Gallon	Rs. 1 as. 4½	*Flat rate* Rs. 123.25	*On gross wt. per 2.2 lbs.* operating in : One *District* / Two *District* / All *Egypt*. Private 3.29 as. 4.93 6.58 as. (Min. Rs. 205.4 Rs. 246.5 Rs. 349.2 Public 4.93 6.58 as.3 8.22as. (Min. Rs. 308.1 Rs. 308.1 Rs. 308.1 Using fuel other than gasoline. *Weight.* under 4410 lbs. double rates. Over 4410 lbs. Treble rates.	*On seating capacity.* *Per seat* First four seats. Rs. 71·89 Remainder Rs. 30·81 Using fuel other than gasoline. Treble rates.
Iran		Rs. 1 as. 7	*Road or circulation tax.* Equivalent per annum at Rials 90 to £ 1. Rs. 138.00	*Road or circulation tax.* Equivalent per annum at Rials 90 to £ 1. 2 ton—Rs. 98·45 10 ton—Rs. 780.91	*Road or circulation tax.* Equivalent per annum at Rials 90 to £ 1. Rs. 451·77

(1)	(2)	(3)	(4)	(5)	(6)
Lebanon	Gallon	Rs. 1 as. 4	*H. P. as per local formula* Annual Taxes after first year of registration. 1. Registration tax. Rs. 21.61 2. Mechanic Tax Rs 8.64. per H. P. 3. Municipal Tax 25% of 1 plus 2 4. Palestine Tax : 12/19 H.P. Rs 4. 32 per H.P. over 19 H.P. Rs 8.64 per H.P.	*Payable on first registration* Finance Tax Rs. 324.15 per 2205 lbs. loading capacity. Also other Taxes. *Annual Taxes after 1st year of registration :* As for private cars.	As for Private Cars.
Syria	Gallon	Rs. 1 as. 4	*H. P. as per local formula* Annual Taxes after 1st year of registration. 1. Reg. Tax. Rs. 10.8 2. Mechanic Tax Rs. 16.21 per H. P.	*Payable on first registration* Finance Tax Rs. 194.49 per 2205 lbs. loading capacity. Annual taxes after first year of registration. Registration Tax. Rs. 21.61 Municipal Tax Rs. 5.40	Annual taxes after first year of registration. Reg. Tax. Rs. 10.8 Mechanic Tax Rs. 1.08 per H. P.
Union of S. Africa.	Gallon	Rs. 0 as. 5	*On unladen wt.* *e. g. 2500 lbs* Cape Province Rs. 124. 63 Natal Prov. Rs. 53. 18 Orange Fr. State Rs. 101. 37 Transvaal. Rs. 95. 72	*On unladen wt. e. g. 5000 lbs* Cape Province Rs. 207.72 Natal Province Rs. 265.88 Orange Fr. State Rs. 252.25 Transvaal. Rs. 207.39	Cape Province *on unladen wt. e. g.* 5001/6000 lbs. Rs. 207.72 Natal Prov. *on seating capacity* up to 9 Rs. 149.56 over 9 Rs. 16.62 for every passenger licenced to carry. Orange Fr. State : *on unladen wt. e.g.* 8001/9000 lbs Rs. 504. 51. Transval : *on unladen wt.* As for goods vehicles *plus*. Rs. 159. 5 *plus*. Rs. 4.99 per passenger over 12 Partial exemption for municipal omnibuses.

(1)	(2)	(3)	(4)	(5)	(6)
Northern Rhodesia		Nil	*On unladen wt. e. g.* 2100/2700 lbs. Rs. 59.82	*On unladen wt. e. g.* 4500/5100 lbs. Rs. 113.00	*On unladen ut. e. g.* Over 8000 lbs. Rs. 531.76
Nyasaland	Gallon	Rs. 0 as 3¼	*On unladen wt.* Rs. 2. 33 per cwt.	*On unladen wt.* Rs. 4. 65 per cwt.	*On unladen wt.* Rs. 2.33 per cwt. *plus* *On seating capacity.* Rs. 6.65 per seat.
Southern Rhodesia	Gallon	Rs. 0 as 5	*On unladen wt. e. g.* 3500 lbs. Rs. 66.47 There are additional taxes by Municipalities & local Road Councils.	*On unladen wt. e.g.* 8000 lbs. Rs. 598. 23	Information incomplete.
Ethiopia.	Gallon	Rs. 1 as 5	*On unladen wt. e. g.* Under 772 lbs. Rs 53.46 „ 2205 lbs. Rs 80.20 „ 3308 lbs. Rs 120.29 „ 4410 lbs. Rs 167.08	*On unladen wt.* *upto* *Rs.* 1102 lbs. 66.83 2205 lbs. 133.66 4410 lbs. 200.49 6615 lbs. 267.32 8820 lbs. 334.15 11025 lbs. 400.98 13230 lbs. 534.64	As for Goods Vehicles
Kenya	Gallon	Rs. 0 as. 8¼	*On unladen wt.* *lbs.* *Rs.* 1500 53·46 1750 60·15 2000 66·83 2250 73·51 Each additional 250 lbs. to 10,250 lbs. Rs. 6·68 over 10250 lbs. Rs. 287·37	As for Private Cars.	As for Private Cars *plus* Rs. 6·68 per seat

(1)	(2)	(3)	(4)	(5)	(6)
Tanganyika	Gallon	Rs. 0 as. 5	*On unladen wt.* upto 5 cwts. Rs. 40·10 5/12 cwts. Rs. 53 46 12/18 cwts. Rs. 66·83 18/25 cwts. Rs. 80·20 25/30 cwts. Rs. 66 83 30/40 cwts. Rs. 133·66 over 40 cwts. Rs. 200·49	*On unladen wt.* Upto 30 cwts. Rs. 86·88 30/40 ,, Rs. 120·29 40/50 ,, Rs. 147·03 50/60 ,, Rs. 180·44 60/70 ,, Rs. 267·32 Above 70 ,, Rs. 334·15 Diesel vehicles : additional Rs. 200·49	*On unladen wt.* As for Goods Vehicles *plus on seating capacity.* First 7 seats. Rs. 6·68 per seat. Each additional seat Rs. 1·34 seat. Diesel vehicles : additional Rs. 200·49.
Uganda	Gallon	Rs. 0 as. 5	*On unladen wt.* Rs. 3·34 per cwt.	*On unladen wt.* Upto 50 cwts. Rs. 4·01 per cwt. Over 50 cwts. Additional 2·67 per cwt. over 50 cwts.	*On unladen wt.* Rs. 3·34 per cwt. *plus on seating capacity.* Rs. 6·68 per seat.
Zanzibar	Gallon	Rs. 0 as. 4¼	*On unladen wt.* Upto 15 cwts. Rs. 53·46 Over 15 cwts. Rs. 74·85	Flat rate of Rs. 74·85.	*On seating capacity.* Upto 10 seats 74·85 each additional seat Rs. 2·67.
Angola	Ga .o·	Rs. 0 as. 13¾	No annual taxes. Initial permit Rs. 8·25. Initial Registration Rs. 27·23 Biennial Inspection Rs. 11·88	Annual permit Rs. 8·25 Not competing with railways. Rs. 8·25 *plus* Rs. 89·1 Competing with railways. Rs. 8·25 *plus* Rs. 118·8	
Belgian Congo	Gallon	Rs. 0 as. 2	H. P, as per local formula. Upto 24 H. P. Rs. 5·7 per H. P. above 24 H. P. Rs. 8·6 per H. P.	Upto 4410 lbs. unladen wt. as for private cars. Over 4410 lbs. unladen wt. Rs. 3·8 per 220·5 lbs. unladen wt.	

(1)	(2)	(3)	(4)	(5)	(6)
Gambia	Gallon	Rs. 0 as. 9¼	*On unladen wt.* *e. g.* 15/25 cwt. Rs. 66·83 35/45 cwt. Rs. 133·66	*On laden wt.* Upto 40 cwt. Rs. 133·66 40/50 cwt. Rs. 160·39 over 50 cwt. Additional Rs. 13·66 per 5 cwt.	Information incomplete.
Gold Coast	Gallon	Rs. 0 as. 7½	*On unladen wt.* *e. g.* 15/25 cwt. Rs. 66·83 35/40 cwt. Rs. 133·66	*On laden wt.* upto 40 cwt. Rs. 133·66 40/50 cwt. Rs. 160·39 over 50 cwt. Additional Rs. 13·66 per 5 cwt. p. a.	
Nigeria	Gallon	Rs. 0 as. 9	*On unladen wt.* *e. g.* 20/30 cwt. Rs. 144·35	*On laden wt.* *e. g.* 50/60 cwt. Rs. 288·71	*Flat rate* Rs. 64·16
Algeria.	Gallon	Rs. 0 as. 14	Initial Licence and Reg of these notes—are shown. Licence once only Rs. 20·48 Regn. once only. Upto 15 H. P. Rs. 68·25 over 15 H. P. Rs. 136·50 Annual Road Tax. Rs. 40·95 *plus* Rs. 4·91 per H. P.	fees are heavy and—contrary to the Licence once only Rs. 20·48 Reg. once only Rs. 68·25 Annual Road Tax Rs. 49·14 *plus* Rs. 6·14 per H. P.	normal make up As for private cars *plus* Licence to operate, once only Rs. 102.38 to Rs. 136·5 per 0·6214 miles authorised *plus* per seat Rs. 68·25.
Morocco	Gallon	Rs. 0 as. 5	No Road Taxes.	*Private* No Road Taxes. *Public* 14 as. per H. P. No concessions for transport of agricultural produce and farm requirements over public highways.	Upto 20 seater. Rank Tax Rs. 16·38 Road Tax Rs. 88·73 20 seater & over. Rs. 8·53 *plus* 5½ as. per route mile.

(1)	(2)	(3)	(4)	(5)	(6)
Tunisia	Gallon	Rs. 0 as. 9	No Road Taxes.	*Private Goods Transport* Short Distance : Rs. 163·80 per 2205 lbs. carrying capacity. Long distance : Rs. 232·05 per 2205 lbs. carrying capacity. Private lorries employed exclusively for transport of agricultural produce or requirements over public highways pay 25% of above taxes. *Public Goods Transport* Short distance : Rs. 95·55 per 2205 lbs. carrying capacity Long distance : Rs. 163·80 per 2205 lbs. *plus* Rs. 68·25 carrying capacity surcharge on same basis. Operations of all lorries are subject to strict control.	*On Passenger Milage.* 1·06 pies per passenger mile per month *plus* surcharge of 0·105 pies on same basis.

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